

STATE OF  
**IDAHO**

COMPREHENSIVE ANNUAL FINANCIAL REPORT



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FOR THE FISCAL YEAR ENDED JUNE 30, 2007



# IDAHO STATE PARKS



Photo Source: Idaho Department of Parks and Recreation

This year the Comprehensive Annual Financial Report features eight of the State of Idaho's beautiful parks. Readers can learn more about Idaho's 26 state parks by visiting the Idaho Department of Parks and Recreation website (<http://parksandrecreation.idaho.gov>).

## CITY OF ROCKS STATE PARK

Where can you find stone castles, a silent city, and pioneer autographs penned in axle grease? The same place you can find one of the best rock-climbing adventures in Idaho: City of Rocks National Reserve fifty miles south of Burley, near the Idaho-Utah border. Some peaks reach sixty stories tall. The granite rocks of this park are among the oldest in North America. Forming peculiar similarities to actual buildings and structures, the rocks are a geological fascination to visitors.

Hundreds of thousands of people passed through the City of Rocks on their way to the California goldfields in the mid-1800s. Visitors can still see the pioneer inscriptions written in axle grease on Register Rock. Diaries of travelers describe the area as "stone village," "steeple rocks," and "city of castles." Idaho's City of Rocks has withstood the test of time by surviving a range of weather conditions throughout many generations.

This landmark has about 700 rock-climbing routes. The routes range from heights of 100 to 600 feet and are some of the finest climbing sites anywhere. The park, founded in 1988, is open year-round and offers skiing, horseback riding, hiking, and wildlife viewing on its 14,000 acres.

Front Cover Photo courtesy of the Idaho Department of Parks and Recreation.

Location: City of Rocks State Park

Data Sources:

<http://www.idahohistory.net/OTcityrocks.html>

[http://en.wikipedia.org/wiki/City\\_of\\_Rocks](http://en.wikipedia.org/wiki/City_of_Rocks)

<http://www.nps.gov/ciro>

<http://parksandrecreation.idaho.gov/parks/cityofrocks.aspx>



STATE OF  
**IDAHO**

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED JUNE 30, 2007

C.L. "BUTCH" OTTER  
Governor

DONNA M. JONES  
State Controller

Prepared by the Office of the State Controller

*This document and related information is available at [www.sco.idaho.gov](http://www.sco.idaho.gov)*

# STATE OF IDAHO

## Office of the State Controller

**DONNA M. JONES**

State Controller

### ACKNOWLEDGMENTS:

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**BRANDON PURCELL, CFE**

**RYAN ROBINSON, CPA**

**JOEY SANCHEZ**

**JEREMY SHANE WINSLOW**

**DEBORAH WONCH**

Thanks and appreciation to the Bureaus of Accounting Operations, System Administration, Accounting Customer Resource Center, and Application Development in the Office of the State Controller.

Special appreciation to all fiscal and accounting personnel throughout the State whose efforts to contribute accurate, timely financial data for their agencies made this report possible.



STATE OF IDAHO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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# INTRODUCTORY SECTION



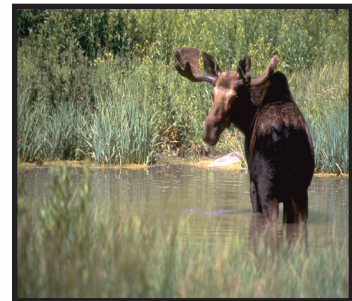
Photo Source: Idaho Department of Parks and Recreation

## HARRIMAN STATE PARK

Harriman State Park, located in Eastern Idaho, has the same ecosystem and wildlife as its neighbor Yellowstone National Park, but without the geysers and crowds of people.

Owned by Union Pacific Railroad investors from 1902 to 1977, the property was the cattle ranch and private retreat of the Harriman and Guggenheim families. For 75 years, until gifted to the State, the ranch maintained healthy populations of game, waterfowl, and fish, permitting today's park visitors to enjoy an abundance of wildlife. Moose, elk, and Sandhill Cranes are common, as is the world's heaviest flying bird, the Trumpeter Swan.

Twenty-seven of the original ranch buildings are still intact, furnished, and carefully preserved. During the summer months tours of the ranch buildings, hiking, horseback riding, fishing, and mountain biking are ways to experience Harriman's natural beauty. During the winter season guests can take part in Nordic skiing and snowshoeing to the on-site warming hut, open on the weekends. The park hosts Western cultural events such as cowboy poetry readings and chili-cooking contests. Harriman State Park contains eight miles of the Henry's Fork of the Snake River, known as one of the best fly-fishing streams in the nation.



### Data Sources:

<http://parksandrecreation.idaho.gov/parks/harriman.aspx>

<http://www.stateparks.com/harriman.html>

<http://www.westyellowstonetraveler.com/features/harriman.shtml>



**STATE OF IDAHO**  
**OFFICE OF THE STATE CONTROLLER**  
**Donna M. Jones**

December 7, 2007

To: The Honorable C.L. "Butch" Otter, Governor  
Members of the Legislature  
Citizens of the State of Idaho

As the State's Chief Fiscal Officer, I am pleased to transmit the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007, in accordance with *Idaho Code*, Section 67-1001. This report represents Idaho's continued commitment to sound and effective fiscal management and to responsible financial reporting based on generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board.

The Office of State Controller assumes responsibility for both the reliability and completeness of the information presented in this report. I am confident the data presented is accurate in all material respects and fairly sets forth the financial position and results of state operations, based upon the internal control structure established by management. The cost of internal controls should not outweigh their benefits; therefore, management designed the framework of internal controls to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

In accordance with *Idaho Code*, Section 67-429, the Legislative Audit staff of the State Legislature has audited the State's basic financial statements for the fiscal year ended June 30, 2007. Based upon that audit, the independent auditor has issued an unqualified opinion that the State of Idaho's basic financial statements are fairly presented in conformity with GAAP. The Independent Auditor's Letter is located at the front of the financial section of this report.

In addition, the Legislative Audit staff conducts statewide audits under the Federal *Single Audit Act of 1984* and the related Office of Management and Budget *Circular No. A-133* in order to meet the special needs of federal grantor agencies. The State issues a separate single audit report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report

and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

**PROFILE OF THE GOVERNMENT**

The State of Idaho was admitted into the Union as the 43<sup>rd</sup> state in 1890. The State covers 83,557 square miles bordered on the south by Utah and Nevada, on the east by Wyoming and Montana, on the west by Washington and Oregon, and on the north by Canada. Idaho has a population of 1.5 million.

State government is divided into three branches. The Executive Branch is comprised of the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and the Superintendent of Public Instruction. The Legislative Branch is comprised of two houses, a 35-member Senate and a 70-member House of Representatives. The Judicial Branch is administered and supervised by the Idaho Supreme Court, which is presided over by a Chief Justice and four Associate Justices.

The State provides services such as education, health and human services, highway maintenance and construction, public safety and correction, natural resource management, and economic development programs. The financial reporting entity includes all funds of the primary government as well as material component units for which the primary government is financially accountable. Additional information on component units can be found in Note 1 to the financial statements.

The annual budgetary process serves as the foundation for the State's financial planning and control. The governmental funds for which budgets are annually appropriated are general, special revenue, capital project,



and earnings of the permanent funds. The budget is generally appropriated by agency, fund, program, and object. Legal level of budgetary control is maintained at the same level of detail as appropriated. All claims presented for payment must be approved by the appropriate department. The expenditure must be for a purpose intended by law, and a sufficient existing and unexpended appropriation balance must be available. Budgetary controls are incorporated into the Statewide Accounting and Reporting System to ensure expenditures do not exceed authorized appropriations. The budgetary process is further described in the note to the required supplementary information and the separately issued Legal Basis Financial Report.

## ECONOMIC CONDITION

### Economy

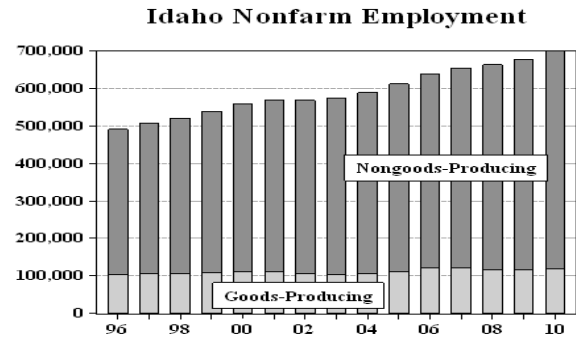
Idaho's economy is affected by many local, national, and international factors. Foremost among these factors is a permanent restructuring by Idaho's largest private employer, Micron Technology, and a decline in new housing construction, both nationally and locally. Idaho's economy is expected to slow, but not stop, largely due to the nongoods-producing sector. Economists project this sector to sustain the State's economy from 2007 to 2010.

Economists expect the computer and electronics sector to shed jobs over the next three years. Unfortunately, the construction sector, which has enjoyed a decade-long expansion, is also expected to experience a decline in employment. As the Idaho employment market cools, the influx of new residents is expected to diminish.

This immigration accounted for two-thirds of the State's population growth in both 2005 and 2006. Historical data indicates state and local government employment will slow as the State's population growth due to immigration decreases. While noneducation employment should expand just under 0.2 percent annually from 2006 to 2010, education employment is expected to advance about 1.3 percent per year over the same period. For the next few years, federal employment in Idaho should remain stable at around 13,000 jobs. The exception is 2010, when hiring for the U.S. census will probably push employment above 13,500.

Idaho's nonfarm employment consists of nongoods-producing industries and goods-producing industries. The private nongoods-producing sector is the State's largest private employment sector and is forecast to be the State's job-growth champion through 2010. This sector accounted for roughly two-thirds of last year's jobs gain with the service sector claiming the majority of those jobs. Service industries include information services; financial activities; transportation, warehousing, and utilities; professional and business services; education and

health services; and leisure and hospitality services. Nongoods-producing industries also include retail and wholesale trade. Goods-producing industries are manufacturing, mining, and construction. The largest of Idaho's goods-producing industries is manufacturing, which includes logging and wood products, metal fabrication, machinery, computer and electronics, food processing, printing, and chemicals.

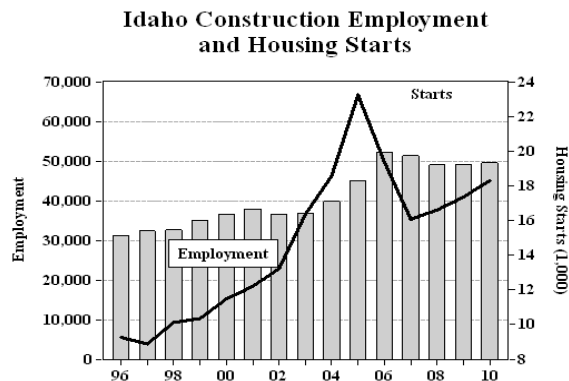


Source: Idaho Division of Financial Management

News about Idaho's computer and electronic products is mixed. Micron Technology permanently laid off approximately 10 percent of its 11,000-person local workforce and announced a planned reduction of another 5 percent later in 2007. The recent collapse in memory product prices precipitated the need for immediate cost savings. Micron is Idaho's largest employer. A reasonable estimate is that for each Micron job loss, another job will be lost elsewhere in the economy. The high-tech sector should be aided by the national business recovery and Hoku Materials' start of a polysilicon production plant in Pocatello. Polysilicon is used by the solar market. The plant is expected to have 200 employees by late summer or fall of 2008.

Employment in Idaho's lumber and wood products sector began dipping in the third quarter of 2006, just one quarter after the national housing starts began their decline. The biggest challenge Idaho's lumber and wood products sector faces is the dwindling timber supply from federal forests. The U.S. Forest Service estimates that the harvest from Idaho national forests fell by two-thirds over the ten-year period from 1994 to 2004. This decline has resulted in several mill closures around the state. Despite these closures, excess capacity remains a challenge. The lumber and wood products industry invested heavily in capital improvements in the 1990s. As a result, recent estimates suggest the industry can produce 20 to 25 percent more lumber than is being consumed in North America. These factors suggest future employment will not approach its recent peak of 12,000 jobs. Economists forecast this sector will have 9,547 jobs in 2007; 8,621 jobs in 2008; 8,352 jobs in 2009; and 9,085 jobs in 2010. Nonresidential construction spending has sustained Idaho's construction employment, but construction

employment is expected to respond to a flattening local housing market. After several years of spectacular growth, Idaho construction employment is expected to decline through 2009 with only a slight increase in 2010.



Source: Idaho Division of Financial Management

Food processing remains one of Idaho's cornerstone industries and is the State's second largest manufacturing employer. Food processing accounts for 2.6 percent of the State's total gross domestic product compared to just 1.6 percent of U.S. economic output. After declining for nearly a decade, Idaho food processing employment is expected to increase from 14,699 jobs in 2006 to 15,521 in 2010 due in part to the reopening of a Nampa meat processing plant by XL Foods that is expected to recover the 400 jobs lost due to a 2005 plant closure. Marathon Cheese is opening a plant in Mountain Home that is expected to employ 500 workers within five years.

Idaho's personal income growth has outpaced national personal income growth twelve out of the last fifteen years. Idaho's personal income rate is expected to exceed the national rate through the near future. Based on July forecasts, national personal income grew 6.6 percent in 2006 and is expected to grow 5.1 percent in 2007 and 4.8 percent in 2008. Idaho's personal income increased by 8.7 percent in 2006 and is expected to increase 6.1 percent in 2007 and 5.6 percent in 2008. More trend information can be found in the Statistical Section.

### Long-Term Financial Planning

At the end of fiscal year 2007, the state General Fund had a cash balance of \$846.9 million, partly due to the 1 percent sales tax increase and strong individual income tax collections. Decreasing caseloads in Medicaid and delays in opening a new correctional substance abuse treatment facility returned \$16.8 million to the General Fund during the supplemental process. The Legislature continued to dedicate projected surplus cash balances to one-time expenditures rather than expanding existing programs. The Legislature committed \$104.2 million of the ending balance to such items as repairs and new building projects in fiscal year 2008 and the Capitol

Building renovation. Legislators set aside \$10.0 million for the Opportunity Scholarship Fund, providing financial aid for Idaho residents to attend an Idaho postsecondary educational institution. State fire-suppression costs are expected to be a record-breaking \$20 to \$25 million and will be handled with deficiency warrants at the beginning of the January 2008 legislative session.

A change in the distribution formula for revenue derived from liquor sales expanded drug and mental health treatment programs and courts in Idaho. The Legislature adopted this approach to reduce prison costs associated with the lack of alternatives for the mentally ill and people with addictions.

### Financial Policies

Article VII of the *Idaho Constitution* allows for state revenue generation from a number of sources. This balanced approach to funding essential services allows the State to operate on a sound fiscal basis in a variety of economic conditions. In comparison to some neighboring states that rely primarily upon the sales tax or the income tax, Idaho derives comparable amounts of its own-source revenues from both sources, ensuring that vital services are less prone to disruption.

The State, through *Idaho Code*, Sections 57-814, 67-3520, and 33-907 maintains funds for the purposes of meeting General Fund revenue shortfalls, meeting expenses incurred because of a major disaster, providing tax relief to the citizens of Idaho on a one-time basis, or providing a uniform and thorough system of public schools. The 2007 balances in the reserve funds were as follows: budget stabilization fund, \$123.7 million; economic recovery fund, \$16.6 million; public education stabilization fund, \$109.0 million.

### Major Initiatives

**Health and Human Services.** The General Fund appropriation for the Department of Health and Welfare increased from \$497.8 million in fiscal year 2007 to \$544.8 million in fiscal year 2008, a 9.4 percent increase. The Medicaid program received \$25.0 million, or 53 percent of the increase. Discussions concerning health and human services were focused on mental health and substance abuse programs during the 2007 session. Total funding for these programs in fiscal year 2008 is \$11.6 million.

**Public Schools.** For fiscal year 2008, the General Fund appropriation for public schools increased from \$1.3 billion to \$1.4 billion. For the first time, the full cost of the bond levy equalization program is being paid by a General Fund appropriation, which will allow the schools' full share of the record \$19.1 million in lottery proceeds to go toward building maintenance. Base salaries for



teachers, administrators, and classified staff were increased by 3 percent and the minimum teacher salary was increased from \$30,000 to \$31,000.

*Department of Correction.* The General Fund appropriation for the Department of Correction increased from \$144.4 million in fiscal year 2007 to \$164.8 million in fiscal year 2008, a 14.1 percent increase. The funding includes \$2.5 million for an alternative placement program, \$1.5 million for the 242-bed expansion of the privately operated state prison, \$1.3 million for changes to the medical contract, and \$3.3 million for a 5 percent increase in employee compensation.

*Transportation.* The Idaho Transportation Department was granted bonding authority for the issuance of Grant Anticipation Revenue Vehicles (GARVEE Bonds) to finance up to \$250.0 million for six highway transportation projects around the state.

*Permanent Building Fund.* The Legislature approved a one-time transfer of \$98.4 million to the Permanent Building Fund. The Legislature appropriated a total of \$138.0 million from the Permanent Building Fund, \$69.6 million for repair and maintenance projects, and \$68.4 million for 12 capital projects. The projects with the largest appropriations are as follows: two health sciences related facilities, \$37.1 million; an Idaho State Police facility in Coeur d'Alene, \$12.0 million; and a University of Idaho dairy research center, \$10.0 million.

*Economic Development.* The Legislature has appropriated money for various economic development projects. The key projects with the largest amounts appropriated are as follows: maintenance and general capital improvements at state parks, \$10.6 million; noxious weed initiative to be spent over two years, \$5.0 million; and a one-time funding for Eurasian Watermilfoil eradication, \$4.0 million.

## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Idaho for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. This is the tenth consecutive year that the State of Idaho achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the

GFOA to determine its eligibility for another certificate. The State Controller's Office is committed to this ongoing effort and intends to maintain a highly qualified and professional staff to make Idaho's certification possible.

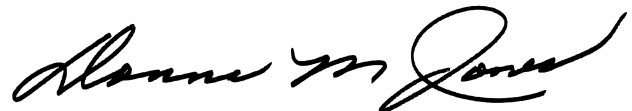
The State also received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its Citizens' Report for the fiscal year ended June 30, 2006. This is the ninth consecutive year the State received this prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report with contents that conform to program standards of creativity, presentation, understandability, and reader appeal.

One of the State's agencies, the Public Employee Retirement System of Idaho (PERSI) has prepared a Comprehensive Annual Financial Report for the System for the last sixteen years. PERSI should be recognized for this major accomplishment.

Idaho earned a "World Class" designation for its payroll operations from leading business analyst The Hackett Group. The Hackett Group survey measures seven different payroll processes. Idaho earned this prestigious ranking by finishing in the top 10 percent for effectiveness of its payroll processes among the nearly 130 large corporations and states surveyed.

The State Controller's Office takes great pride in the preparation of this comprehensive report. I am pleased to recognize the professionalism and dedication demonstrated by financial managers and accountants of the state agencies and component units, along with staff within the State Controller's Office. In addition, the auditing staff of the Legislative Services Office must be recognized for true dedication and professionalism. Their independent and critical review of this CAFR truly serves the citizens of Idaho. Credit must also be given to Governor Otter and other state leaders for their support in maintaining the highest standards of professionalism in the management of Idaho's finances.

Respectfully submitted,



Donna M. Jones  
Idaho State Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of Idaho

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Ronald J. Hawn".

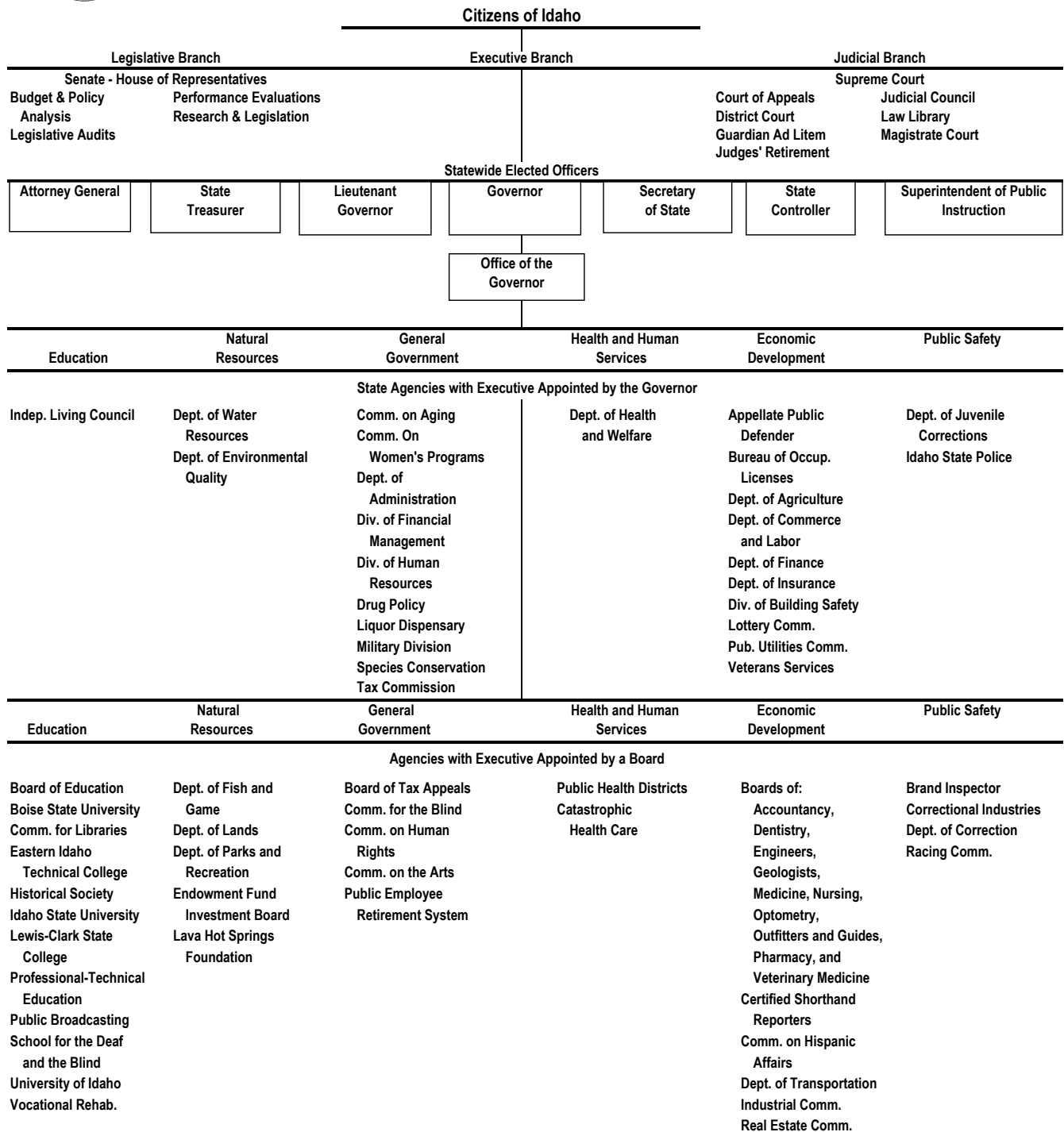
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



# 2007 Organization Chart Idaho State Government



Prepared by the Division of Financial Management; modified by the Office of the State Controller.

# ELECTED OFFICIALS OF THE STATE OF IDAHO



DONNA M. JONES  
State Controller



C.L. "BUTCH" OTTER  
Governor



JAMES E. RISCH  
Lieutenant Governor



BEN YSURSA  
Secretary of State



RON CRANE  
State Treasurer



LAWRENCE WASDEN  
Attorney General



TOM LUNA  
Superintendent of Public Instruction



LAWRENCE E. DENNEY  
Speaker, Idaho House of  
Representatives



GERALD SCHROEDER  
Chief Justice,  
Idaho Supreme Court



ROBERT L. GEDDES  
President, Pro Tempore  
Idaho State Senate



# FINANCIAL SECTION

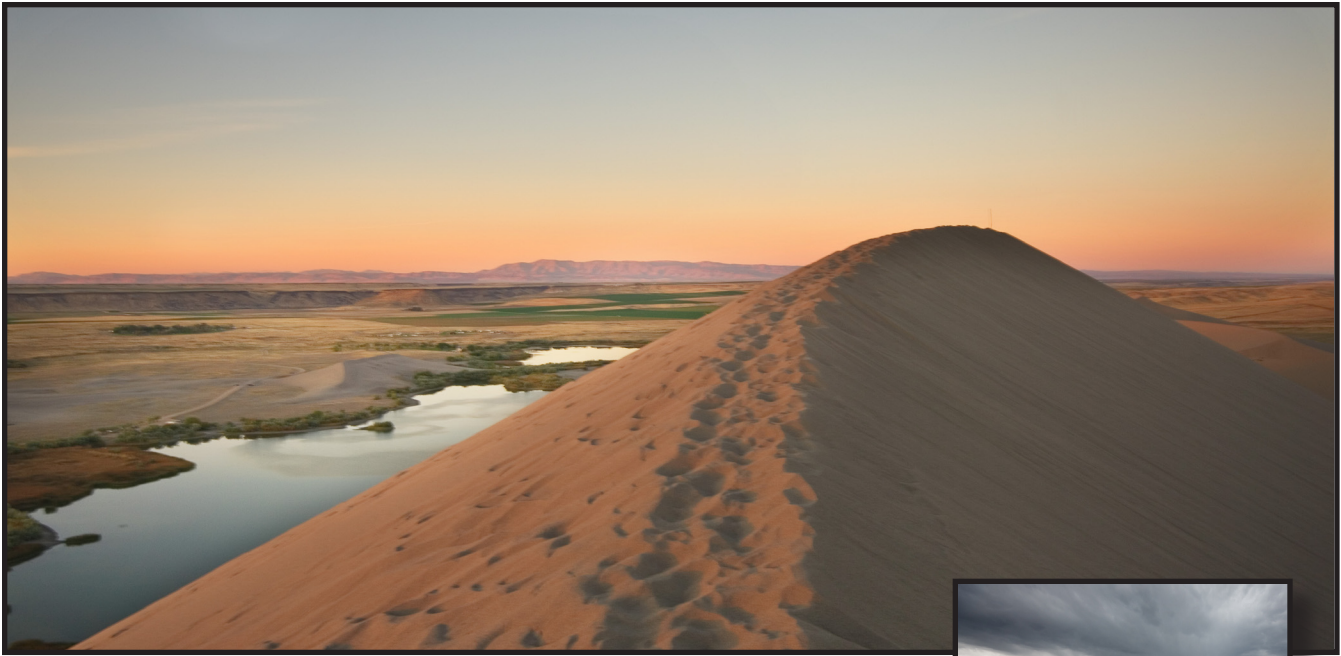


Photo Sources: Jason Abbott and Idaho Department of Parks and Recreation

## BRUNEAU DUNES STATE PARK

Near the town of Bruneau in South Central Idaho, the Owyhee Desert is a first-rate natural sandbox. Established in 1970, Bruneau Dunes State Park contains the tallest freestanding dune (470 feet) in North America. Unlike most dunes, Bruneau's sands do not drift far. The prevailing winds gust from the southeast and northwest at about the same frequency, keeping the dunes fairly stable. The two largest dunes cover approximately 600 acres.

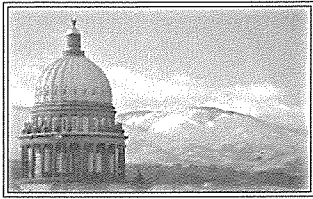
The state park includes desert, dune, prairie, lake, and marsh habitat with opportunities to observe nocturnal animals. Early morning and late evening are the best times for spotting the park's inhabitants. Activities at Bruneau include fishing, bird watching, camping, hiking the dunes, swimming in the small surrounding lakes, and viewing the heavens at Idaho's only public observatory. The observatory has the largest telescope in the West that is accessible to the public.

Enjoy a trip to Bruneau Dunes but be prepared for a hot day! In 1862 pioneer E. S. McComas wrote that they "Passed large sand mounds. . . ." and, "So hot that we could not drive till late in the evening." Because of the warm weather, Bruneau has one of the longest camping seasons in Idaho's park system.

### Data Sources:

<http://parksand recreation.idaho.gov/parks/bruneaudunesstatepark.aspx>  
<http://www.idahohistory.net/OTbruneau.html>  
[http://areas.wildernet.com/pages/area.cfm?areaID=IDSPBD&CU\\_ID=1](http://areas.wildernet.com/pages/area.cfm?areaID=IDSPBD&CU_ID=1)  
<http://www.viamagazine.com/weekenders/bruneau04.asp>





# Legislative Services Office

## Idaho State Legislature

*Serving Idaho's Citizen Legislature*

**Jeff Youtz**  
Director

December 7, 2007

Independent Auditor's Report

Honorable C.L. "Butch" Otter, Governor  
Honorable Members of the Legislature  
Honorable Donna M. Jones, State Controller

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Idaho as of and for the year ended June 30, 2007, that collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Idaho, Idaho State University, Boise State University, Lewis-Clark State College, Eastern Idaho Technical College and their respective component units, nor the Endowment Fund Investment Board, State Lottery Commission, Public Employees Retirement System of Idaho, IDEal Idaho College Savings Program, the Idaho Life and Health Insurance Guaranty Association, Idaho Individual Risk Reinsurance Pool, Idaho Small Employer Health Reinsurance Program, Petroleum Clean Water Trust Fund, Idaho Building Authority, and the Idaho Housing and Finance Association. Those financial statements represent total assets and revenues of the government-wide financial statements and total assets and revenues of the fund financial statements as follows:

<u>Government-Wide Financial Statements</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Primary Government - Governmental Activities	17.8%	4.6%
Primary Government - Business-Type Activities	66.8%	63.0%
Aggregate Discretely Presented Component Units	98.3%	99.2%

<u>Fund Financial Statements</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Governmental Funds		
Public School Endowment - Major Fund	99.6%	99.9%
Pooled Endowment - Major Fund	100.0%	100.0%
Proprietary Funds		
College and Universities - Major Fund	100.0%	100.0%
Aggregate Remaining Fund Information	83.3%	45.1%

Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for those agencies and component units, are based on the reports of the other auditors.

**Mike Nugent, Manager**  
Research & Legislation

**Cathy Holland-Smith, Manager**  
Budget & Policy Analysis

**Don H. Berg, Manager**  
Legislative Audits

**Glenn Harris, Manager**  
Information Technology

Statehouse, P.O. Box 83720  
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We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. The financial statements of the Idaho Life and Health Insurance Guaranty Association, the Idaho Housing and Finance Association, and the IDEal Idaho College Savings Program were not audited in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, are not covered by our reports in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.


In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho as of June 30, 2007, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated December 7, 2007 on our consideration of the State of Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 12, and the required supplementary information on pages 96 through 100, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, the combining and individual fund financial statements and schedules, and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Sincerely,



Don H. Berg, CGFM, Manager  
Legislative Audits Division

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the State of Idaho's financial performance provides an overview and analysis of the State's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the transmittal letter, which can be found preceding this narrative, and the State's financial statements, which follow.

### FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

#### Government-Wide Highlights

The assets of the State's primary government exceeded its liabilities for the fiscal year ended June 30, 2007, by \$8.7 billion (reported as net assets). Of this amount, \$1.2 billion (unrestricted net assets) may be used to meet the State's ongoing obligations to citizens and creditors.

In fiscal year 2007 the State's total net assets increased by \$917.8 million. Net assets of governmental activities increased by \$751.7 million, while net assets of business-type activities increased by \$166.1 million.

#### Fund Highlights

As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$2.8 billion, with \$1.3 billion reserved for specific purposes and \$1.5 billion unreserved. This includes the General Fund's unreserved fund balance of \$996.5 million.

#### Long-Term Debt

The State's long-term debt increased \$226.4 million from \$563.6 million in fiscal year 2006 to \$790.0 million in fiscal year 2007. The key factor in this increase was bonds and notes issued by the Idaho State Building Authority, Idaho Transportation Department, and the colleges and universities.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which include the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information and other supplementary information in addition to the basic financial statements.

#### Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities, which report information about the State as a whole and present a long-term view of the State's finances using accounting methods similar to those used in the private sector. The statements are prepared using the flow of economic resource measurement focus and accrual basis of accounting, under which the current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

The *Statement of Net Assets* reports all of the State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the State's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This Statement reports expenses and revenues in a format that focuses on the net cost of each function, allowing you to see which functions of the State draw upon the general revenues of the State and which functions contribute to the general revenues of the State.

The government-wide financial statements are divided into the following three categories:

*Governmental activities* encompass most of the State's basic services, such as general government, public safety and correction, health and human services, education, economic development, and natural resources. Revenues from taxes and federal grants finance most of these activities.

*Business-type activities* account for operations that function in a manner similar to private business, where all or a significant portion of costs are recovered through user fees and charges to external customers. These activities primarily include higher education, unemployment benefit payments, and loans to cities and counties to make improvements to wastewater and drinking water systems.



*Discretely presented component units* are organizations legally separate from but financially accountable to the State, or their relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. Discretely presented component units include the Idaho Housing and Finance Association, the college and university foundations, the Petroleum Clean Water Trust Fund, the Idaho Individual High Risk Reinsurance Pool, the Idaho Small Employer Health Reinsurance Program, the Idaho Bond Bank Authority, and the Idaho Life and Health Insurance Guaranty Association.

### **Fund Financial Statements**

The fund financial statements provide detailed information about the State's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to demonstrate compliance with finance-related legal requirements. The State's funds are divided into the following three categories:

*Governmental funds* account for most of the State's basic services and provide a detailed short-term view of the State's general government operations. They account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements and capabilities. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Governmental funds include the General Fund, special revenue funds, permanent funds, and a capital project fund.

*Proprietary funds* account for activities similar to for-profit enterprises, where the determination of net income is necessary for sound financial administration. Proprietary funds include enterprise and internal service funds. Enterprise funds report activities that provide supplies or services to the general public; internal service funds report activities that provide supplies and services for the State's programs and activities. Internal service funds are reported as governmental activities on the government-wide statements since their services predominantly benefit the State. Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. As in the government-wide statements, proprietary fund financial statements use the accrual basis of accounting.

*Fiduciary funds* account for resources held for the benefit of parties outside the State. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State's programs. These funds are reported using the accrual basis of accounting.

This report includes two schedules in the governmental fund financial statements that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities and balances reported on the appropriate government-wide statements (accrual accounting). By comparing the information presented for governmental funds with similar information presented in the government-wide financial statements, you may better understand the long-term impact of the State's near-term financing decisions.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the component unit financial statements.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes the following:

- budgetary comparison schedules reconciling the statutory operating activities and the generally accepted accounting principles operating activities and fund balances, as presented in the governmental fund financial statements
- condition and maintenance data regarding the State's infrastructure that is reported using the modified approach
- a schedule of funding progress and actuarial information related to the State's obligation to provide pension benefits to certain employees

### **Other Supplementary Information**

Combining financial statements are presented after the required supplementary information to provide more detail for nonmajor special revenue, capital project, proprietary, and fiduciary funds. The total columns of these combining financial statements tie to the applicable combined fund financial statement.

## FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

## Net Assets

Net assets measure the difference between what the State owns (assets) versus what the State owes (liabilities). Net assets may serve over time as a useful indicator of the State's financial position. The State's assets exceeded liabilities by \$8.7 billion for the most recent

fiscal year. The State's combined net assets increased \$917.8 million over the course of this fiscal year's operations. Net assets of governmental activities increased \$751.7 million and business-type activities net assets increased \$166.1 million.

**Net Assets**  
**June 30, 2007 and 2006**  
*(dollars in thousands)*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2007</b>	<b>2006*</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006*</b>
Current and Other Assets	\$4,806,485	\$3,545,440	\$1,224,344	\$1,028,434	\$6,030,829	\$4,573,874
Capital Assets	4,621,353	4,401,997	856,426	786,323	5,477,779	5,188,320
<b>Total Assets</b>	<b>9,427,838</b>	<b>7,947,437</b>	<b>2,080,770</b>	<b>1,814,757</b>	<b>11,508,608</b>	<b>9,762,194</b>
Other Liabilities	1,777,007	1,189,989	121,124	105,416	1,898,131	1,295,405
Long-Term Liabilities	492,421	350,712	441,905	357,709	934,326	708,421
<b>Total Liabilities</b>	<b>2,269,428</b>	<b>1,540,701</b>	<b>563,029</b>	<b>463,125</b>	<b>2,832,457</b>	<b>2,003,826</b>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	4,401,792	4,179,097	513,584	467,275	4,915,376	4,646,372
Restricted	1,773,496	1,354,676	813,880	720,721	2,587,376	2,075,397
Unrestricted	983,122	872,963	190,277	163,636	1,173,399	1,036,599
<b>Total Net Assets</b>	<b>\$7,158,410</b>	<b>\$6,406,736</b>	<b>\$1,517,741</b>	<b>\$1,351,632</b>	<b>\$8,676,151</b>	<b>\$7,758,368</b>

\*These columns have been restated. More detailed information can be found in Note 13.

The largest component of the State's net assets, \$4.9 billion or 56.7 percent, reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment), net of accumulated depreciation and less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens. These assets are not available for future spending.

Restricted net assets are the next largest component, comprising 29.8 percent (\$2.6 billion). These resources are not available for general use due to restrictions placed on them by external parties such as creditors,

grantors, or contributors; or by state law through constitutional provisions or enabling legislation.

The remaining 13.5 percent (\$1.2 billion) of net assets represents unrestricted net assets, which may be used at the State's discretion but often have limitations on use based on state statutes.

At the end of the current fiscal year the State reported positive balances in all three categories of net assets for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

## Changes in Net Assets

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year:

**Change in Net Assets**  
**For the Fiscal Years Ended June 30, 2007 and 2006**  
*(dollars in thousands)*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>		<b>Total Percent Change</b>
	2007	2006*	2007	2006	2007	2006*	
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$818,312	\$786,444	\$807,285	\$731,194	\$1,625,597	\$1,517,638	7.1
Operating Grants and Contributions	2,050,008	1,899,754	227,620	229,902	2,277,628	2,129,656	6.9
Capital Grants and Contributions	1,481	8,624	54,455	20,231	55,936	28,855	93.9
General Revenues							
Sales Tax	1,296,040	1,061,861			1,296,040	1,061,861	22.1
Individual and Corporate Taxes	1,605,218	1,428,996			1,605,218	1,428,996	12.3
Other Taxes	417,773	406,485			417,773	406,485	2.8
Other	62,758	56,138			62,758	56,138	11.8
<b>Total Revenues</b>	<b>6,251,590</b>	<b>5,648,302</b>	<b>1,089,360</b>	<b>981,327</b>	<b>7,340,950</b>	<b>6,629,629</b>	<b>10.7</b>
<b>Expenses</b>							
General Government	665,638	634,262			665,638	634,262	4.9
Public Safety and Correction	279,201	266,036			279,201	266,036	4.9
Health and Human Services	1,740,729	1,676,706			1,740,729	1,676,706	3.8
Education	1,691,654	1,385,448			1,691,654	1,385,448	22.1
Economic Development	664,031	629,499			664,031	629,499	5.5
Natural Resources	212,732	213,599			212,732	213,599	(0.4)
Interest Expense	32,232	21,130			32,232	21,130	52.5
College and University			815,373	780,066	815,373	780,066	4.5
Unemployment Compensation			109,338	109,113	109,338	109,113	0.2
Loan			954	719	954	719	32.7
State Lottery			99,307	97,605	99,307	97,605	1.7
Liquor Dispensary			105,126	93,204	105,126	93,204	12.8
Correctional Industries			6,852	6,239	6,852	6,239	9.8
<b>Total Expenses</b>	<b>5,286,217</b>	<b>4,826,680</b>	<b>1,136,950</b>	<b>1,086,946</b>	<b>6,423,167</b>	<b>5,913,626</b>	<b>8.6</b>
Increase (Decrease) in Net							
Assets before Transfers	965,373	821,622	(47,590)	(105,619)	917,783	716,003	28.2
Transfers	(213,699)	(243,751)	213,699	243,751	0	0	
<b>Change in Net Assets</b>	<b>751,674</b>	<b>577,871</b>	<b>166,109</b>	<b>138,132</b>	<b>917,783</b>	<b>716,003</b>	<b>28.2</b>
Net Assets, Beginning							
of Year, as Restated	6,406,736	5,828,865	1,351,632	1,213,500	7,758,368	7,042,365	10.2
<b>Net Assets, End of Year</b>	<b>\$7,158,410</b>	<b>\$6,406,736</b>	<b>\$1,517,741</b>	<b>\$1,351,632</b>	<b>\$8,676,151</b>	<b>\$7,758,368</b>	<b>11.8</b>

\*These columns have been restated. More detailed information can be found in Note 13.

The Total Percent Change column shows the percentage change in operations from fiscal year 2006 to 2007 for each line item. Readers should be cautious when using this column to evaluate the overall change in net assets. Although a line may show a large percentage change (e.g., 32.7 percent for Loan fund expenses of \$235,000), it may not have as significant of an effect on the overall change in net assets as a change in a more material line item with a smaller percentage change (e.g., 6.9 percent for operating grants and contributions, \$147.2 million).

## Governmental Activities

The overall financial position for Governmental Activities improved during the fiscal year, as evidenced by the \$751.7 million increase in net assets. The key

element of this increase was a 22.1 percent increase (\$234.2 million) in sales tax revenue due to a 1 percent sales tax increase that began in October 2006 as a result

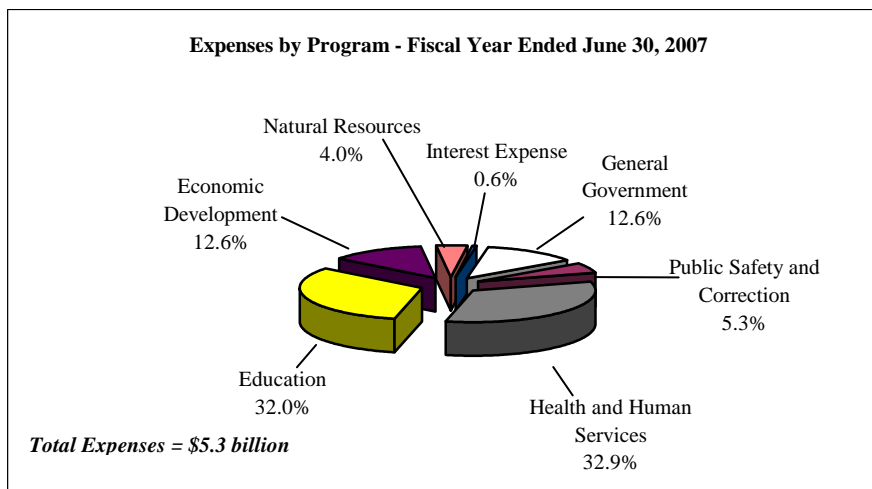
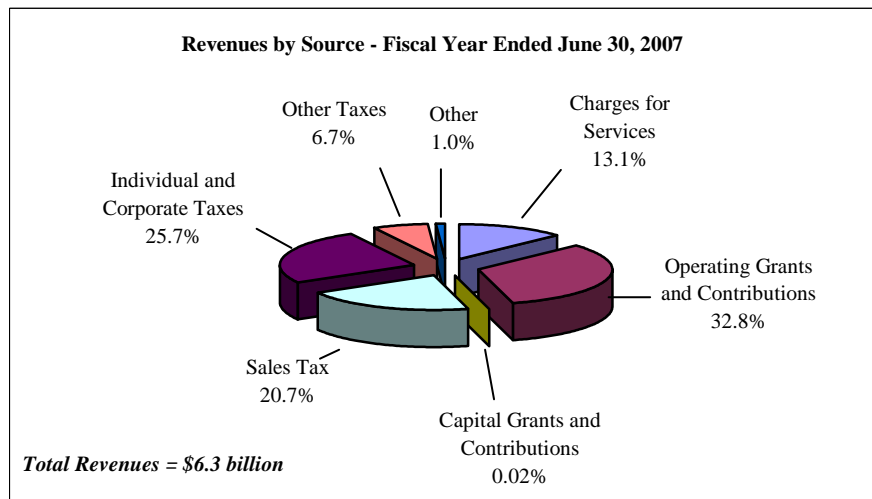
of the Property Tax Relief Act of 2006. The Act was passed during a special legislative session in August 2006 to reduce property taxes. The Act eliminated the public schools maintenance and operation levy on Idaho real property. In order to protect education funding, the Act appropriated additional funds from the General Fund to public schools for maintenance and operation to compensate for the loss of the property tax revenue. Therefore, the increase in education expenses of 22.1 percent (\$306.2 million) is mainly due to an increased public school distribution for facilities improvements, salaries, and operating expenses.

Individual and corporate income tax revenue increased 12.3 percent (\$176.2 million, of which \$173.0 million is an increase in individual taxes) due to increasing levels of employment and personal income. In addition, revenues from operating grants and contributions increased 7.9 percent (\$150.3 million) mainly due to increased federal grants to the Department of Health and

Welfare for health care assistance and the Idaho Transportation Department for infrastructure; as well as increased investment earnings from investment of revenues earned from lands granted by the federal government upon statehood.

The revenue increases were offset to a degree by increased expenses. Health and human services expenses increased by 3.8 percent (\$64.0 million) due to greater medical assistance payments, mainly related to Medicaid and rehabilitation services payments. Economic development expenses increased 5.5 percent (\$34.5 million) mainly due to highway infrastructure projects financed by the issuance of Grant Anticipation Revenue Vehicle bonds. General government expenses increased 4.9 percent (\$31.4 million) primarily due to rising health insurance premium costs for state employees and repair and maintenance of state-owned facilities.

The following charts depict revenues and expenses of the governmental activities:



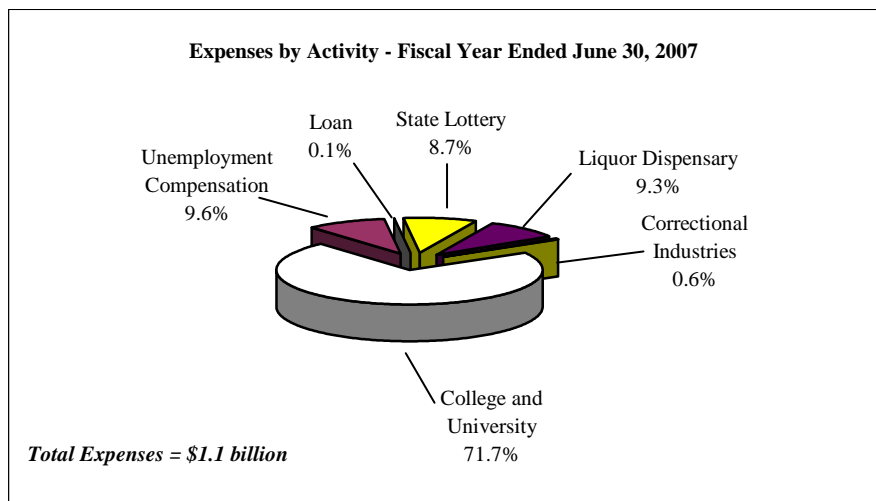
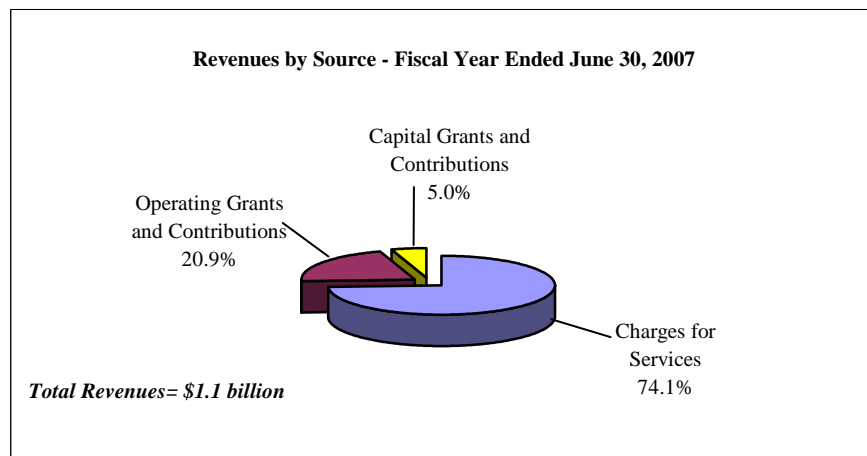


## Business-Type Activities

Business-type activities' net assets increased by \$166.1 million in fiscal year 2007. The largest changes were seen in the following funds:

- College and University net assets increased by \$80.8 million primarily due to an increase of \$34.2 million in capital contributions, \$17.7 million in student tuition and fees, and an increase of \$10.9 million in transfers from the General Fund. These revenues were offset by increased expenses of \$17.4 million for personnel costs and \$12.4 million for services and supplies.
- The Unemployment Compensation fund saw an increase in net assets of \$72.6 million primarily due to a \$24.9 million increase in assessments relating to unemployment insurance and a \$7.5 million increase in investment income.
- The Liquor Dispensary expenses increased by 12.8 percent (\$11.9 million) due to increased alcohol beverage and distribution costs. These expenses were offset by increased alcohol sales revenue of 10.8 percent (\$11.6 million).

The following charts depict revenues and expenses of the business-type activities:



## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

### Governmental Funds

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$2.8 billion, an increase of \$681.1 million in comparison with the prior fiscal year. Of this amount \$1.5 billion (52.8 percent) constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds, but may be limited by state statutes. The remainder of the fund balance, \$1.3 billion (47.2 percent), is reserved to indicate that it is not available for new spending because it has been reserved for various commitments, such as bond retirement, liquidation of purchase orders and contracts of the prior period, and permanent trusts held for education.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance was \$996.5 million and reserved fund balance was \$98.9 million. Total fund balance increased \$309.4 million (39.4 percent) during the fiscal year, primarily as a result of sales tax revenue increases of \$239.8 million and individual tax revenue increases of \$164.0 million, compared to the prior fiscal year. These increases were offset by increases in expenditures, mainly \$301.6 million for education due to an increased public school distribution for facilities improvements, salaries, and operating expenses.

Health and Welfare's fund balance increased \$27.1 million from fiscal year 2006's fund balance of \$2.3 million to a fund balance of \$29.4 million in fiscal year 2007. This increase was primarily due to an increase of \$53.6 million in federal grants and contributions and \$23.3 million transferred from the General Fund, mainly for Medicaid costs. The increased revenues were offset by increased expenditures due to greater medical assistance payments, mainly related to Medicaid and rehabilitation services payments.

Transportation's fund balance increased \$29.2 million during the current fiscal year due mainly to an increase of \$31.2 million in federal grants.

Public School Endowment's fund balance increased \$119.4 million in fiscal year 2007, due mainly to \$45.8 million in receipts from timber sales and land leases, and investment income of \$108.2 million, a \$45.4 million investment revenue increase from fiscal year 2006.

Pooled Endowment's fund balance increased by \$68.9 million in fiscal year 2007, mainly attributable to \$31.0 million in receipts from timber sales and land leases, and

investment income of \$53.1 million, a \$22.8 million investment revenue increase from fiscal year 2006.

Nonmajor governmental fund balances increased by \$127.2 million mainly due to bonds and notes issued for highway projects and the Idaho State Capitol Building restoration and expansion.

### Proprietary Funds

Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Enterprise funds are discussed in business-type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenue collections for the General Fund exceeded the January 2007 legislatively approved forecast by \$106.2 million. Overall, the fiscal year 2007 collections were 15.7 percent over the previous year, due primarily to the 1 percent sales tax increase. The General Fund budget for fiscal year 2007 totaled \$2.9 billion, which is a 18.7 percent increase over the previous year. Two-thirds of this increase is due to the larger public schools budget as a consequence of removing the maintenance and operations levy from property taxes during the 2006 special session and adding it to the General Fund. The Legislature returned more money to the General Fund during the supplemental process than was paid out, due to decreasing caseloads in Medicaid and delays in opening a new correctional substance abuse treatment facility. The Legislature continued to dedicate excess cash balances to one-time expenditures rather than dedicating any of the funds to ongoing program expansions. Just over \$99.0 million was provided for repairs and maintenance of state owned facilities.

The variance between the original budget and the final budget in the expenditures section of the General Fund Budgetary Comparison Schedule is \$268.5 million, a 10.3 percent increase in original expenditure appropriations. The original budget amount represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations, Governor's holdbacks, Board of Examiners reductions, object transfers, actual transfers, and receipts to the appropriation. The variation between the final budget and actual spending was a favorable \$151.9 million (or 5.3 percent).

## CAPITAL ASSET AND DEBT ADMINISTRATION

## Capital Assets

At the end of fiscal year 2007 the State had \$5.5 billion (net of accumulated depreciation) invested in a broad range of capital assets, as can be seen in the table below.

Depreciation charges for this fiscal year totaled \$94.6 million.

## Capital Assets as of June 30, 2007 and 2006

(Net of depreciation, dollars in thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2007	2006	2007	2006	2007	2006
Land	\$935,071	\$920,053	\$63,200	\$53,927	\$998,271	\$973,980
Construction in Progress	828,831	649,558	72,509	45,287	901,340	694,845
Infrastructure--not Depreciated	1,854,340	1,829,168			1,854,340	1,829,168
Historial Art and Collections	123	123	2,100	2,123	2,223	2,246
Intangible Assets			24,382	24,382	24,382	24,382
Buildings and Improvements	383,137	388,041	582,583	553,716	965,720	941,757
Improvements Other Than Buildings	32,218	30,838	21,856	22,863	54,074	53,701
Machinery, Equipment, and Other	122,136	118,798	89,796	84,025	211,932	202,823
Infrastructure--Depreciated	465,497	465,398			465,497	465,398
<b>Total</b>	<b>\$4,621,353</b>	<b>\$4,401,977</b>	<b>\$856,426</b>	<b>\$786,323</b>	<b>\$5,477,779</b>	<b>\$5,188,300</b>

More detailed information can be found in Note 6.

The total increase in investment in capital assets for the current fiscal year (including additions and deductions) was \$289.5 million, or 5.6 percent. This year's major additions include \$232.4 million spent for infrastructure assets, which includes construction in progress (\$186.1 million), roadways (\$15.1 million), rights-of-way (\$16.1 million), and bridges and ports of entry (\$15.1 million).

The State uses the traditional method of depreciation for its 1,661 bridges and 33 rest areas or ports of entry. The State has adopted the modified approach for reporting roads. Under this alternative method, certain maintenance and preservation costs are expensed and depreciation expense is not reported. Approximately 11,877 lane miles of roads are accounted for under the modified approach. The State manages its roadway network using its Pavement Management System to monitor road surface condition. The pavement surface condition rating is a numerical condition scale ranging from 0.0 (extremely poor) to 5.0 (good). A roadway surface is considered substandard under this approach at less than 2.0. The State's established condition level is to have no more than 18 percent of road surfaces in substandard condition. The latest condition assessment rating showed that the State had 80 percent of its road surfaces in good or fair condition, down from 81 percent in condition assessment year 2005. During fiscal year 2007 the State spent \$79.3 million to maintain Idaho's road surfaces, up from \$69.5 million spent during fiscal year 2006. More detailed information about the State's

capital assets is presented in Notes 1 and 6 to the financial statements and in required supplementary information.

## Long-Term Debt

Article VIII, Section 1, of the *Idaho Constitution*, amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law and which have no power to levy taxes or obligate the General Fund of the State are not debts or liabilities of the State.

Legislation passed during the 2005 legislative session revised *Idaho Code*, Title 40, to address the increasing need for timely improvements to Idaho's highway infrastructure. The Idaho Transportation Board, with the approval of the Legislature, can approve debt financing for transportation infrastructure projects utilizing future federal-aid highway revenues. Opinions have been received from the Office of the Attorney General, based on the Idaho Supreme Court decision in *Ada County v. Wright*, to the effect that this procedure does not create a

liability of the State in violation of the *Idaho Constitution*.

New debt mainly resulted from the Idaho State Building Authority, the Idaho Transportation Department and colleges and universities issuing revenue bonds and notes in the amounts of \$127.1 million, \$28.4 million and \$138.4 million, respectively for various projects.

The shadow rating for the State of Idaho remained the same during the year (Aa2). Since the State does not issue general obligation debt, a shadow rating is a rating given had such debt been issued.

Moody's, an investor rating service, has assigned its top issuer rating of MIG1 for short-term debt to the State with a stable outlook for its tax anticipation notes. The State's conservative debt policies have led to modest state debt levels, falling well below national medians. More detailed information about the State's long-term debt is presented in Notes 1 and 12 to the financial statements.

#### **ECONOMIC FACTS AND NEXT YEAR'S BUDGET**

The State experienced an improving economy during fiscal year 2007 but expects more subdued growth for fiscal year 2008. The fiscal year 2008 General Fund budget is based on an expected revenue growth of 3.8 percent, the median estimate of the Economic Outlook and Revenue Assessment Committee. The spending plan approved by the Legislature for fiscal year 2008 reflects

an 8.8 percent increase over the original fiscal year 2007 appropriation. Within the maintenance area of the budget, state agencies received the restoration of funding for a health insurance premium holiday removed last fiscal year, minor increases for contract inflation, full funding for replacement items, 5 percent change in employee compensation, statutory increases for Medicaid and foster care payments, and higher education workload enrollment adjustments.

A few of the ongoing programs approved through the budget process were mental health and substance abuse treatment programs, ongoing moneys to expand the community college system, and a new needs-based scholarship program for higher education. Public schools received \$22.0 million of the total \$51.0 million approved for ongoing spending in the fiscal year 2008 budget. The Legislature reserved \$60.0 million for unforeseen events that could precipitate economic instability and for the Governor and Legislature to address prison space needs during the next budget cycle.

#### **CONTACTING THE STATE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, the Legislature, investors, and creditors with a general overview of the State's finances and to show the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the State Controller, 700 West State Street, P.O. Box 83720, Boise, ID 83720-0011, (208) 334-3150.



# BASIC FINANCIAL STATEMENTS



Photo Sources: Heidi Whipple, Marion Demer, and the Idaho Department of Parks and Recreation

## OLD MISSION STATE PARK

Located near Cataldo in Northern Idaho, the Coeur d'Alene's Old Mission State Park is a picturesque and peaceful area to explore. The park features the oldest standing building in Idaho, the Mission of the Sacred Heart, also known as the Cataldo Mission. Listed on the National Register of Historic Places, the Mission was built between 1848 and 1853 by over 300 members of the Coeur d'Alene Indian Tribe and Catholic missionaries. They constructed walls over twelve-inches thick and a building without nails. Father Ravalli, an Italian, designed the Mission to mimic the elaborate European cathedrals. The interior cleverly utilized hand-painted newspapers and classic chandeliers that were replicated using discarded tin cans. Even the wood altars were painted to resemble marble.

The Coeur d'Alene Indians were very spiritual and invited Jesuit priests to live among their people. Later Father Joseph Cataldo made the Mission his headquarters when he was appointed to serve there in 1877. Father Cataldo had an outstanding influence on the surrounding areas and went on to found Gonzaga University in 1881.

Today the Mission still has special significance for the Coeur d'Alene Indians who visit to celebrate the "Feast of the Assumption" every August. The Mission and parish house are open for tours. The 18-acre park offers picnic grounds, walking paths, a visitor's center, and two historical cemeteries. All of these features present a fascinating portrait of Idaho and the tribal people of the region.

Data Sources:

<http://www.ohwy.com/id/o/oldmiisp.htm>

New name honors mission builders, <http://spokesmanreview.com>, February 12, 2003.

<http://parksandrecreation.idaho.gov/parks/oldmission.aspx>



*State of Idaho*

**Statement of Net Assets**

**June 30, 2007**

*(dollars in thousands)*

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$10,603	\$267,647	\$278,250
Pooled Cash and Investments	1,135,814	64,372	1,200,186
Investments	1,331,889	324,556	1,656,445
Securities Lending Collateral	1,343,114		1,343,114
Accounts Receivable, Net	60,279	114,476	174,755
Taxes Receivable, Net	330,674		330,674
Internal Balances	2,193	(2,193)	
Due from Other Entities	213,033		213,033
Inventories and Prepaid Items	45,207	18,646	63,853
Due from Primary Government			
Due from Component Unit		89,884	89,884
Loans, Notes, and Pledges Receivable, Net	11,563	196,017	207,580
Other Assets	8,864	18,022	26,886
Restricted Assets:			
Cash and Cash Equivalents	298,122	76,638	374,760
Investments	15,130	56,279	71,409
Capital Assets:			
Nondepreciable	3,618,365	162,191	3,780,556
Depreciable, Net	1,002,988	694,235	1,697,223
Total Assets	\$9,427,838	\$2,080,770	\$11,508,608
LIABILITIES			
Accounts Payable	\$100,932	\$24,494	\$125,426
Payroll and Related Liabilities	27,399	40,890	68,289
Medicaid Payable	148,701		148,701
Due to Other Entities	70,933	4,102	75,035
Unearned Revenue	49,010	35,340	84,350
Amounts Held in Trust for Others	10,273	1,765	12,038
Due to Primary Government			
Due to Component Unit		418	418
Obligations Under Securities Lending	1,343,114		1,343,114
Other Accrued Liabilities	26,645	14,115	40,760
Long-Term Liabilities:			
Due Within One Year	106,331	35,999	142,330
Due in More Than One Year	386,090	405,906	791,996
Total Liabilities	2,269,428	563,029	2,832,457
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,401,792	513,584	4,915,376
Restricted for:			
Claims and Judgments	55,839		55,839
Debt Service	3,038	881	3,919
Intergovernmental Revenue Sharing	15,353		15,353
Transportation	134,457		134,457
Regulatory	57,514		57,514
Natural Resources and Recreation	78,581	174,588	253,169
Unemployment Compensation		348,989	348,989
Permanent Trust - Expendable	310,591	80,361	390,952
Permanent Trust - Nonexpendable	1,008,997	88,789	1,097,786
Other Purposes	109,126	120,272	229,398
Unrestricted	983,122	190,277	1,173,399
Total Net Assets	7,158,410	1,517,741	8,676,151
Total Liabilities and Net Assets	\$9,427,838	\$2,080,770	\$11,508,608

The accompanying notes are an integral part of the financial statements.

Component	Units
	\$45,185
	486
	960,289
	1,909
	260
	23,026
	1,193,803
	27,600
	28,922
	756
	5,316
	7,385
	<u>\$2,294,937</u>
	\$633
	18,678
	33,925
	89,884
	79,966
	94,531
	1,481,457
	<u>1,799,074</u>
	7,983
	150,116
	73,922
	189,879
	162
	73,801
	<u>495,863</u>
	<u>\$2,294,937</u>

*State of Idaho*

**Statement of Activities**

**For the Fiscal Year Ended June 30, 2007**

*(dollars in thousands)*

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses			
<b>FUNCTIONS</b>				
<b>Primary Government</b>				
Governmental Activities				
General Government	\$665,638	\$297,470	\$47,174	\$82
Public Safety and Correction	279,201	30,816	12,653	182
Health and Human Services	1,740,729	93,309	1,152,780	
Education	1,691,654	11,640	222,344	
Economic Development	664,031	239,728	377,672	
Natural Resources	212,732	145,349	237,385	1,217
Interest Expense	32,232			
Total Governmental Activities	5,286,217	818,312	2,050,008	1,481
Business-Type Activities				
College and University	815,373	341,823	213,472	54,455
Unemployment Compensation	109,338	191,758	849	
Loan	954	13,942	13,299	
State Lottery	99,307	130,811		
Liquor Dispensary	105,126	120,117		
Correctional Industries	6,852	8,834		
Total Business-Type Activities	1,136,950	807,285	227,620	54,455
<b>Total Primary Government</b>	<b>\$6,423,167</b>	<b>\$1,625,597</b>	<b>\$2,277,628</b>	<b>\$55,936</b>
<b>Component Units</b>				
Idaho Housing and Finance Association	\$79,435	\$87,979		
College and University Foundation	62,931	45,677	\$42,325	
Petroleum Clean Water Trust	3,416	1,432		
Health Reinsurance	6,388	3,953		
Bond Bank Authority	1,370	1,346	20	
Life and Health Insurance Guaranty	876	1,538		
<b>Total Component Units</b>	<b>\$154,416</b>	<b>\$141,925</b>	<b>\$42,345</b>	

**General Revenues**

Sales Tax  
Individual and Corporate Taxes  
Fuel Tax  
Other Taxes  
Tobacco Settlement  
Permanent Endowment Contributions  
Unrestricted Investment Earnings  
Payment from State of Idaho

**Transfers**

**Total General Revenues and Transfers**

**Change in Net Assets**

**Net Assets - Beginning of Year, as Restated**

**Net Assets - End of Year**

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
(\$320,912)		(\$320,912)	
(235,550)		(235,550)	
(494,640)		(494,640)	
(1,457,670)		(1,457,670)	
(46,631)		(46,631)	
171,219		171,219	
(32,232)		(32,232)	
(2,416,416)		(2,416,416)	
	(\$205,623)	(205,623)	
	83,269	83,269	
	26,287	26,287	
	31,504	31,504	
	14,991	14,991	
	1,982	1,982	
	(47,590)	(47,590)	
(2,416,416)	(47,590)	(2,464,006)	
			\$8,544
			25,071
			(1,984)
			(2,435)
			(4)
			662
			29,854
1,296,040		1,296,040	
1,605,218		1,605,218	
232,025		232,025	
185,748		185,748	
27,328		27,328	
			81
35,430		35,430	
			3,439
(213,699)	213,699		
3,168,090	213,699	3,381,789	3,520
751,674	166,109	917,783	33,374
6,406,736	1,351,632	7,758,368	462,489
\$7,158,410	\$1,517,741	\$8,676,151	\$495,863

*State of Idaho*

**Balance Sheet**

**Governmental Funds**

**June 30, 2007**

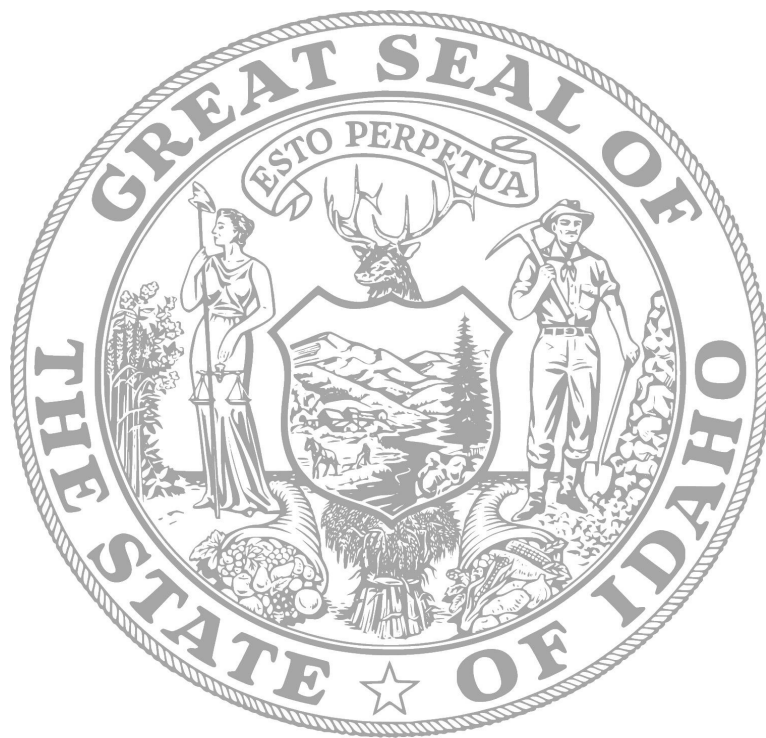
*(dollars in thousands)*

	General	Health and Welfare	Transportation	Public School Endowment
<b>ASSETS</b>				
Cash and Cash Equivalents	\$2		\$7	
Pooled Cash and Investments	777,372	\$43,712	71,803	\$3,563
Investments	101,874		24,483	760,213
Securities Lending Collateral	1,183,732			106,625
Accounts Receivable, Net	16,915	13,906	6,423	3,651
Taxes Receivable, Net	290,975	162	36,486	
Interfund Receivables	5,909	12		
Due from Other Entities	54	145,279	32,537	
Inventories and Prepaid Items	6,958	5,104	15,625	
Loans, Notes, and Pledges Receivable, Net			498	
Other Assets	69	16	177	847
Restricted Assets:				
Cash and Cash Equivalents	69,516	4,883	36,016	
Investments		2,197		
<b>Total Assets</b>	<b>\$2,453,376</b>	<b>\$215,271</b>	<b>\$224,055</b>	<b>\$874,899</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$23,152	\$15,039	\$27,221	\$4,725
Payroll and Related Liabilities	9,472	5,928	3,429	
Medicaid Payable		148,701		
Interfund Payables	807	2,019	233	
Due to Other Entities	40,754		30,173	
Deferred Revenue	93,062	8,502	16,999	
Amounts Held in Trust for Others	335	3,060	5,185	
Obligations Under Securities Lending	1,183,732			106,625
Other Accrued Liabilities	6,610	2,646	6,383	
<b>Total Liabilities</b>	<b>1,357,924</b>	<b>185,895</b>	<b>89,623</b>	<b>111,350</b>
<b>Fund Balances</b>				
Reserved for:				
Bond Retirement				
Encumbrances	34,785	12,139	20,498	
Inventories and Prepaid Items	6,958	5,104	15,625	
Noncurrent Receivables	301			
Permanent Trusts	28,094			662,501
Other Purposes	28,770	5,211		
Unreserved, Reported in:				
General Fund	996,544			
Special Revenue Funds		6,922	98,309	
Capital Projects				
Permanent Funds				101,048
<b>Total Fund Balances</b>	<b>1,095,452</b>	<b>29,376</b>	<b>134,432</b>	<b>763,549</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$2,453,376</b>	<b>\$215,271</b>	<b>\$224,055</b>	<b>\$874,899</b>

The accompanying notes are an integral part of the financial statements.



<b>Pooled Endowment</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
	\$10,594	\$10,603
\$14	153,228	1,049,692
372,730	36,792	1,296,092
52,757		1,343,114
5,897	13,469	60,261
	3,051	330,674
	2,662	8,583
	35,163	213,033
	12,625	40,312
	11,065	11,563
1,465	1,281	3,855
	187,707	298,122
	12,933	15,130
\$432,863	\$480,570	\$4,681,034
\$2,316	\$27,869	\$100,322
	8,185	27,014
		148,701
	4,296	7,355
	6	70,933
	17,494	136,057
	1,693	10,273
52,757		1,343,114
	5,902	21,541
55,073	65,445	1,865,310
	124,023	124,023
	16,369	83,791
	12,625	40,312
	13,287	13,588
315,713	2,689	1,008,997
	25,645	59,626
		996,544
	220,462	325,693
	25	25
62,077		163,125
377,790	415,125	2,815,724
\$432,863	\$480,570	\$4,681,034



# **Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Assets June 30, 2007**

*(dollars in thousands)*

<b>Total Fund Balances - Governmental Funds</b>	\$2,815,724
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:

Land	\$935,071	
Construction in Progress	828,831	
Infrastructure	2,470,416	
Historical Art and Collections	72	
Buildings and Improvements	603,098	
Improvements Other Than Buildings	46,751	
Machinery, Equipment, and Other	317,896	
Accumulated Depreciation	<u>(596,701)</u>	
<b>Total Capital Assets</b>		<b>4,605,434</b>

Some of the State's revenue will be collected after year-end but is not available soon enough to pay for the current period's expenditures and therefore is deferred in the funds.	97,918
--	--------

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	93,464
---	--------

Bond issue costs are reported as current expenditures in the funds. However, these costs are deferred on the Statement of Net Assets.	4,750
---	-------

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of the following:

Capital Leases Payable	(11,869)	
Compensated Absences Payable	(55,947)	
Bonds and Notes Payable	(350,617)	
Accrued Interest on Bonds	(4,908)	
Claims and Judgments	(32,924)	
Other Long-Term Liabilities	<u>(2,615)</u>	
<b>Total Long-Term Liabilities</b>		<b>(458,880)</b>

<b>Net Assets - Governmental Activities</b>	<b><u>\$7,158,410</u></b>
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**Statement of Revenues, Expenditures, and Changes in Fund Balances**

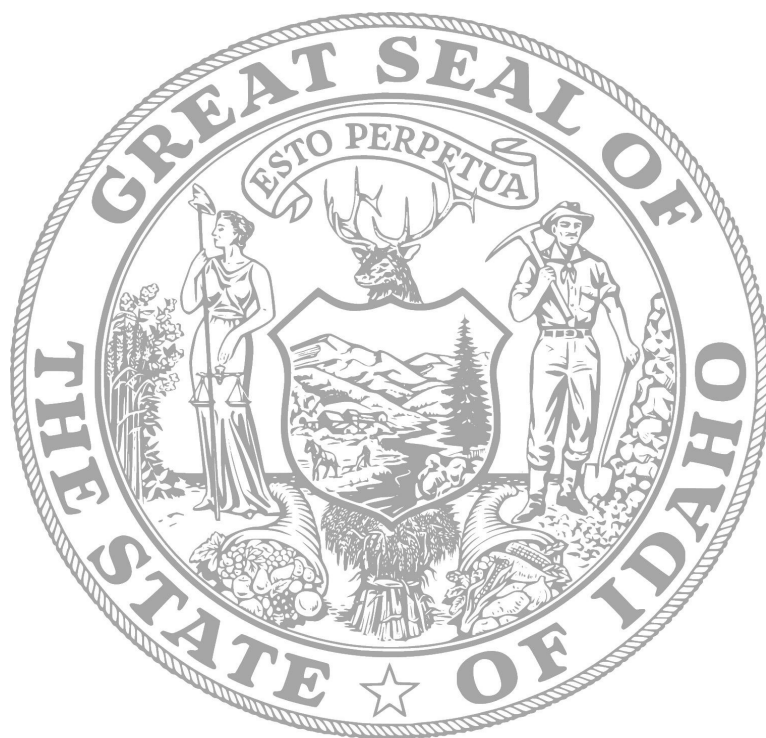
**Governmental Funds**

**For the Fiscal Year Ended June 30, 2007**

(dollars in thousands)

	General	Health and Welfare	Transportation	Public School Endowment
<b>REVENUES</b>				
Sales Tax	\$1,295,616			
Individual and Corporate Taxes	1,598,702			
Other Taxes	61,940	\$1,803	\$225,912	
Licenses, Permits, and Fees	16,748	4,198	121,171	
Sale of Goods and Services	61,675	81,645	5,239	\$45,781
Grants and Contributions	3,484	1,154,387	304,048	
Investment Income	41,445	626	4,996	108,152
Tobacco Settlement	23,712			
Other Income	31,097	5,269	1,568	
<b>Total Revenues</b>	<b>3,134,419</b>	<b>1,247,928</b>	<b>662,934</b>	<b>153,933</b>
<b>EXPENDITURES</b>				
Current:				
General Government	107,474			
Public Safety and Correction	218,437			
Health and Human Services	27,422	1,674,174		
Education	1,466,115			
Economic Development	25,029		163,250	
Natural Resources	34,297			15,338
Capital Outlay	107,650	4,959	314,264	
Intergovernmental Revenue Sharing	207,654	36,243	136,094	
Debt Service:				
Principal Retirement	131		2,426	
Interest and Other Charges	4,709		6,766	
<b>Total Expenditures</b>	<b>2,198,918</b>	<b>1,715,376</b>	<b>622,800</b>	<b>15,338</b>
<b>Revenues Over (Under) Expenditures</b>	<b>935,501</b>	<b>(467,448)</b>	<b>40,134</b>	<b>138,595</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and Notes Issued				
Premium on Bonds Issued				
Payment to Refunded Bond Escrow Agent				
Sale of Capital Assets	352	63	5,678	
Transfers In	165,914	494,595		5,429
Transfers Out	(792,364)	(142)	(16,608)	(24,648)
<b>Total Other Financing Sources (Uses)</b>	<b>(626,098)</b>	<b>494,516</b>	<b>(10,930)</b>	<b>(19,219)</b>
<b>Net Change in Fund Balances</b>	<b>309,403</b>	<b>27,068</b>	<b>29,204</b>	<b>119,376</b>
<b>Fund Balances - Beginning of Year</b>	<b>786,049</b>	<b>2,308</b>	<b>105,228</b>	<b>644,173</b>
<b>Fund Balances - End of Year</b>	<b>\$1,095,452</b>	<b>\$29,376</b>	<b>\$134,432</b>	<b>\$763,549</b>

<b>Pooled Endowment</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
	\$4,800	\$1,300,416
		1,598,702
	128,108	417,763
	131,106	273,223
\$30,991	51,305	276,636
	422,180	1,884,099
53,087	17,411	225,717
		23,712
	27,604	65,538
84,078	782,514	6,065,806
	43,884	151,358
	51,437	269,874
	267	1,701,863
	217,139	1,683,254
	180,160	368,439
6,010	130,534	186,179
	66,768	493,641
	61,430	441,421
	9,846	12,403
	14,101	25,576
6,010	775,566	5,334,008
78,068	6,948	731,798
	155,463	155,463
	6,533	6,533
	(4,765)	(4,765)
	973	7,066
2,029	45,308	713,275
(11,197)	(83,282)	(928,241)
(9,168)	120,230	(50,669)
68,900	127,178	681,129
308,890	287,947	2,134,595
\$377,790	\$415,125	\$2,815,724





**Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances -- Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2007**

(dollars in thousands)

<b>Net Change in Fund Balances - Governmental Funds</b>		<b>\$681,129</b>
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense. Capital outlays exceeded depreciation expense in the current year by the following amount:		
Capital Outlay	\$286,904	
Depreciation Expense	(48,403)	
		238,501
Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities, but only proceeds from sales are reported in the governmental funds.		
		(17,754)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
		7,070
The issuance of long-term debt provides current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current year the following debt was incurred:		
Bonds and Notes	(155,463)	
Premium on Bonds Issued	(6,533)	
		(161,996)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year these amounts consisted of:		
Bond and Note Principal	11,449	
Bond Issue Costs	1,400	
Refunding Bond Payment	4,765	
Capital Leases	966	
		18,580
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds either increase or decrease long-term liabilities reported in the Statement of Net Assets. In the current year these amounts consisted of:		
Accrued Interest and Amortization	(1,248)	
Compensated Absences	(391)	
Other Long-Term Liabilities	17	
		(1,622)
Internal service funds are reported separately from governmental funds in the fund statements. In the government-wide statements, internal service funds are included with governmental activities.		
		(12,234)
<b>Change in Net Assets - Governmental Activities</b>		<b>\$751,674</b>

## Statement of Net Assets

## Proprietary Funds

June 30, 2007

(dollars in thousands)

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$89,875	\$177,772		
Pooled Cash and Investments	26,990	1,954	\$16,519	\$18,909
Investments	34,729			
Accounts Receivable, Net	48,139	62,005		4,332
Interfund Receivables	2,899	119		436
Inventories and Prepaid Items	6,293			12,353
Due from Component Unit	1,095			
Loans, Notes, and Pledges Receivable, Net	4,477		6,877	
Other Current Assets	701	786	4,083	281
<b>Total Current Assets</b>	<b>215,198</b>	<b>242,636</b>	<b>27,479</b>	<b>36,311</b>
<b>Noncurrent Assets</b>				
Restricted Cash and Cash Equivalents	1,078		38,332	37,228
Investments	180,864	108,963		
Restricted Investments	8,853		47,426	
Due from Component Unit	88,789			
Loans, Notes, and Pledges Receivable, Net	20,248		164,415	
Other Noncurrent Assets	12,171			
Capital Assets, Net	822,445		28,927	5,054
<b>Total Noncurrent Assets</b>	<b>1,134,448</b>	<b>108,963</b>	<b>279,100</b>	<b>42,282</b>
<b>Total Assets</b>	<b>\$1,349,646</b>	<b>\$351,599</b>	<b>\$306,579</b>	<b>\$78,593</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$13,742	\$2,610	\$47	\$8,095
Payroll and Related Liabilities	40,433			457
Interfund Payables	5,312			335
Due to Other Entities			11	4,091
Unearned Revenue	18,463		16,820	57
Amounts Held in Trust for Others	1,765			
Due to Component Unit	418			
Other Accrued Liabilities	8,025		294	5,796
Capital Leases Payable	410			
Capital Leases Payable to Component Unit	255			
Compensated Absences Payable	17,628			753
Bonds and Notes Payable	14,973		1,980	
Policy Claim Liabilities				
<b>Total Current Liabilities</b>	<b>121,424</b>	<b>2,610</b>	<b>19,152</b>	<b>19,584</b>
<b>Noncurrent Liabilities</b>				
Capital Leases Payable	959			
Capital Leases Payable to Component Unit	2,917			
Bonds and Notes Payable	393,935		8,095	
Policy Claim Liabilities				
<b>Total Noncurrent Liabilities</b>	<b>397,811</b>		<b>8,095</b>	
<b>Total Liabilities</b>	<b>519,235</b>	<b>2,610</b>	<b>27,247</b>	<b>19,584</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	489,678		18,852	5,054
Restricted for:				
Claims and Judgments				
Debt Service			881	
Permanent Trust - Expendable	80,361			
Permanent Trust - Nonexpendable	88,789			
Other Purposes			85,011	35,261
Unrestricted	171,583	348,989	174,588	18,694
<b>Total Net Assets</b>	<b>830,411</b>	<b>348,989</b>	<b>279,332</b>	<b>59,009</b>
<b>Total Liabilities and Net Assets</b>	<b>\$1,349,646</b>	<b>\$351,599</b>	<b>\$306,579</b>	<b>\$78,593</b>

The accompanying notes are an integral part of the financial statements.

Governmental Activities	
Total	Internal Service Funds
\$267,647	
64,372	\$86,122
34,729	
114,476	18
3,454	971
18,646	4,895
1,095	
11,354	
5,851	259
521,624	92,265
76,638	
289,827	35,797
56,279	
88,789	
184,663	
12,171	
856,426	15,919
1,564,793	51,716
\$2,086,417	\$143,981
\$24,494	\$610
40,890	385
5,647	6
4,102	
35,340	10,871
1,765	
418	
14,115	196
410	181
255	
18,381	682
16,953	104
	10,343
162,770	23,378
959	159
2,917	
402,030	3,562
	23,418
405,906	27,139
568,676	50,517
513,584	11,913
	55,839
881	
80,361	
88,789	
120,272	
713,854	25,712
1,517,741	93,464
\$2,086,417	\$143,981

**Statement of Revenues, Expenses, and Changes in Fund Net Assets**

**Proprietary Funds**

**For the Fiscal Year Ended June 30, 2007**

(dollars in thousands)

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
<b>OPERATING REVENUES</b>				
Assessments		\$181,352		
Licenses, Permits, and Fees	\$114,055		\$556	
Student Fees Pledged for Revenue Bonds	144,471			
Scholarship Allowances	(43,775)			
Sale of Goods and Services	26,994		1,472	\$258,410
Sale of Goods and Services Pledged for Revenue Bonds	71,770		908	
Grants and Contributions	171,001	849	13,299	
Grants and Contributions Pledged for Revenue Bonds	2,935			
Investment Income	190		5,674	
Other Income	6,197			96
Other Income Pledged for Revenue Bonds	1,636			
<b>Total Operating Revenues</b>	<b>495,474</b>	<b>182,201</b>	<b>21,909</b>	<b>258,506</b>
<b>OPERATING EXPENSES</b>				
Personnel Costs	495,353			12,756
Services and Supplies	200,429		503	91,593
Benefits, Awards, and Premiums	43,019	109,338		78,876
Depreciation	44,140		138	552
Other Expenses	14,325		19	3,617
<b>Total Operating Expenses</b>	<b>797,266</b>	<b>109,338</b>	<b>660</b>	<b>187,394</b>
<b>Operating Income (Loss)</b>	<b>(301,792)</b>	<b>72,863</b>	<b>21,249</b>	<b>71,112</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gifts and Grants	39,536			
Investment Income	14,742	10,403	5,332	1,214
Investment Income Pledged for Revenue Bonds	5,296			
Interest Expense	(17,494)		(294)	
Intergovernmental Distributions				(23,891)
Gain (Loss) on Sale of Capital Assets	(613)			
Other Nonoperating Revenues (Expenses)	247	3		42
<b>Total Nonoperating Revenues (Expenses)</b>	<b>41,714</b>	<b>10,406</b>	<b>5,038</b>	<b>(22,635)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(260,078)</b>	<b>83,269</b>	<b>26,287</b>	<b>48,477</b>
Capital Contributions	54,455			
Transfers In	286,513		6,500	
Transfers Out	(6)	(10,645)	(22,071)	(46,592)
<b>Change in Net Assets</b>	<b>80,884</b>	<b>72,624</b>	<b>10,716</b>	<b>1,885</b>
<b>Total Net Assets - Beginning of Year, as Restated</b>	<b>749,527</b>	<b>276,365</b>	<b>268,616</b>	<b>57,124</b>
<b>Total Net Assets - End of Year</b>	<b>\$830,411</b>	<b>\$348,989</b>	<b>\$279,332</b>	<b>\$59,009</b>

<b>Governmental Activities</b>	
<b>Total</b>	<b>Internal Service Funds</b>
\$181,352	
114,611	
144,471	
(43,775)	
286,876	\$191,120
72,678	
185,149	22
2,935	
5,864	
6,293	1,739
1,636	
958,090	192,881
508,109	11,399
292,525	19,811
231,233	177,625
44,830	1,360
17,961	2,765
1,094,658	212,960
(136,568)	(20,079)
39,536	
31,691	6,987
5,296	
(17,788)	(424)
(23,891)	
(613)	15
292	
34,523	6,578
(102,045)	(13,501)
54,455	
293,013	1,267
(79,314)	
166,109	(12,234)
1,351,632	105,698
\$1,517,741	\$93,464

**Statement of Cash Flows****Proprietary Funds****For the Fiscal Year Ended June 30, 2007***(dollars in thousands)*

	<b>Business-Type</b>	
	<b>College and University</b>	<b>Unemployment Compensation</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Assessments		\$165,266
Receipts from Customers	\$308,724	
Receipts for Interfund Services		
Receipts from Grants and Contributions	173,893	849
Payments to Suppliers	(189,885)	
Payments to Employees	(489,912)	
Payments for Interfund Services		
Payments for Benefits, Awards, and Claims	(44,145)	(109,061)
Other Receipts (Payments)	(4,659)	
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(245,984)</b>	<b>57,054</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Gifts, Grants, and Endowments Received	35,840	
Intergovernmental Distributions		
Transfers In	286,513	
Transfers Out	(6)	(10,645)
Interest Paid		
Other Receipts (Payments)	(200)	
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>322,147</b>	<b>(10,645)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Grants and Contributions	38,558	
Bonds Issued	94,246	
Payment of Notes and Bonds	(10,369)	
Payment of Interest	(17,526)	
Capital Lease Payments	(690)	
Proceeds from Disposition of Capital Assets		3
Acquisition and Construction of Capital Assets	(88,616)	
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>15,603</b>	<b>3</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipt of Interest and Dividends	14,999	9,768
Purchase of Investments	(359,559)	(27,500)
Redemption of Investments	271,838	
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(72,722)</b>	<b>(17,732)</b>
<b>Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash</b>	<b>19,044</b>	<b>28,680</b>
<b>Beginning Cash, Cash Equivalents, and Pooled Cash</b>	<b>98,899</b>	<b>151,046</b>
<b>Ending Cash, Cash Equivalents, and Pooled Cash</b>	<b>\$117,943</b>	<b>\$179,726</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income (Loss)	(301,792)	\$72,863
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	44,194	
Maintenance Costs Paid by Department of Public Works	59	
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables	922	(16,091)
Inventories and Prepaid Items	132	
Notes Receivable	(193)	
Other Current Assets	4,744	
Accounts Payable/Interfund Payables	2,259	282
Unearned Revenue		
Compensated Absences	275	
Policy Claim Liabilities		
Other Accrued Liabilities	3,416	
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(\$245,984)</b>	<b>\$57,054</b>

**Noncash Transactions (dollars in thousands):**

Investments increased in fair value by \$4,216 for colleges and universities, \$424 for Unemployment Compensation, \$405 for the Loan fund, and \$422 for internal service funds. Colleges and universities acquired capital assets through donation in the amount of \$32,555, state transfers in the amount of \$1,488, and disposed of capital assets at a loss of \$136. Colleges and universities defeased debt in the amount of \$43,341. Internal service funds acquired capital assets by capital lease in the amount of \$269 and entered into a sale-leaseback transaction in the amount of \$42 for equipment.

The accompanying notes are an integral part of the financial statements.



Activities--Enterprise Funds			Governmental Activities
Loan	Nonmajor Enterprise Funds	Total	Internal Service Funds
		\$165,266	
\$7,708	\$258,038	574,470	\$246
380	56	436	191,754
13,299		188,041	22
(25,209)	(96,472)	(311,566)	(21,784)
	(12,638)	(502,550)	(11,404)
(26)	(224)	(250)	(2,452)
	(75,581)	(228,787)	(179,867)
(21)		(4,680)	287
(3,869)	73,179	(119,620)	(23,198)
		35,840	
	(24,607)	(24,607)	
6,500		293,013	1,267
(22,071)	(46,592)	(79,314)	
(294)		(294)	(202)
		(200)	
(15,865)	(71,199)	224,438	1,065
		38,558	
		94,246	
(1,965)		(12,334)	(89)
		(17,526)	
		(690)	(195)
	42	45	15
(35)	(812)	(89,463)	(653)
(2,000)	(770)	12,836	(922)
4,921	1,215	30,903	6,545
(3,057)		(390,116)	(1,685)
		271,838	
1,864	1,215	(87,375)	4,860
(19,870)	2,425	30,279	(18,195)
74,721	53,712	378,378	104,317
\$54,851	\$56,137	\$408,657	\$86,122
\$21,249	\$71,112	(\$136,568)	(\$20,079)
138	552	44,884	1,360
		59	
	(3,248)	(18,417)	52
	(1,860)	(1,728)	(1,755)
(24,146)		(24,339)	
(1,044)	(79)	3,621	(1)
47	3,235	5,823	17
(97)	52	(45)	(557)
	70	345	(8)
			(2,241)
(16)	3,345	6,745	14
(\$3,869)	\$73,179	(\$119,620)	(\$23,198)

**Statement of Fiduciary Net Assets**

**Fiduciary Funds**

**June 30, 2007**

(dollars in thousands)

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust	Agency
<b>ASSETS</b>				
Cash and Cash Equivalents	\$2,046		\$165	\$5,431
Pooled Cash and Investments	2,673			27,766
Investments:				
Pooled Short Term	499,245	\$409,735	7,918	
Fixed Income Investments	2,603,413	784,251		214,605
Marketable Securities	7,598,278			
Mutual Funds and Private Equities	727,363		100,527	
Mortgages and Real Estate	666,047	52,015		
Other Investments			14,701	8,121
Securities Lending Collateral		711,206		
Receivables:				
Investments Sold	1,103,980		11	
Contributions	4,040			
Interest and Dividends	43,947	6,239	32	70
Interfund Receivables	1,705			
Other Receivables	130		63	
Other Assets	35,126			
Capital Assets, Net	2,691			
<b>Total Assets</b>	<b>13,290,684</b>	<b>1,963,446</b>	<b>123,417</b>	<b>\$255,993</b>
<b>LIABILITIES</b>				
Accounts Payable	248	45	78	
Payroll and Related Liabilities				\$6,009
Interfund Payables	1,705			
Due to Other Entities				712
Amounts Held in Trust for Others				246,440
Obligations Under Securities Lending		711,206		
Investments Purchased	1,425,333		47	
Other Accrued Liabilities	10,085	5,481		2,832
<b>Total Liabilities</b>	<b>1,437,371</b>	<b>716,732</b>	<b>125</b>	<b>\$255,993</b>
<b>NET ASSETS</b>				
Held in Trust for:				
Employee Pension Benefits	11,619,822			
Postemployment Healthcare Benefits	233,491			
External Investment Pool Participants		1,246,714		
Trust Beneficiaries			123,292	
<b>Total Net Assets</b>	<b>\$11,853,313</b>	<b>\$1,246,714</b>	<b>\$123,292</b>	

*State of Idaho*

**Statement of Changes in Fiduciary Net Assets**

**Fiduciary Funds**

**For the Fiscal Year Ended June 30, 2007**

*(dollars in thousands)*

	<b>Pension Trust</b>	<b>Investment Trust</b>	<b>College Savings Private-Purpose Trust</b>
<b>ADDITIONS</b>			
<b>Contributions:</b>			
Member	\$189,587		
Employer	289,992		
Transfers In from Other Plans	8,512		
Participant Deposits		\$2,089,831	\$30,413
<b>Total Contributions</b>	<b>488,091</b>	<b>2,089,831</b>	<b>30,413</b>
<b>Investment Income:</b>			
Net Increase (Decrease) in Fair Value of Investments	1,658,445	10,846	9,234
Interest, Dividends, and Other	314,324	41,125	3,764
Securities Lending Income		709	
Less Investment Expense:			
Investment Activity Expense	(48,933)	(646)	
<b>Net Investment Income</b>	<b>1,923,836</b>	<b>52,034</b>	<b>12,998</b>
Miscellaneous Income	1,782		
<b>Total Additions</b>	<b>2,413,709</b>	<b>2,141,865</b>	<b>43,411</b>
<b>DEDUCTIONS</b>			
Benefits and Refunds Paid to Plan Members	473,259		
Transfers Out to Other Plans	6,258		
Administrative Expense	6,803		647
Earnings Distribution		48,915	
Participant Withdrawals		1,915,488	10,441
<b>Total Deductions</b>	<b>486,320</b>	<b>1,964,403</b>	<b>11,088</b>
<b>Change in Net Assets Held in Trust for:</b>			
Employee Pension Benefits	1,893,061		
Employee Postemployment Healthcare Benefits	34,328		
External Investment Pool Participants		177,462	
Trust Beneficiaries			32,323
<b>Net Assets - Beginning of Year</b>	<b>9,925,924</b>	<b>1,069,252</b>	<b>90,969</b>
<b>Net Assets - End of Year</b>	<b>\$11,853,313</b>	<b>\$1,246,714</b>	<b>\$123,292</b>

The accompanying notes are an integral part of the financial statements.

*State of Idaho*

**Statement of Net Assets**

**Component Units**

**June 30, 2007**

*(dollars in thousands)*

	<b>Idaho Housing and Finance Association</b>	<b>College and University Foundation</b>	<b>Petroleum Clean Water Trust</b>	<b>Health Reinsurance</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$26,322	\$15,086	\$2,959	\$234
Pooled Cash and Investments			486	
Investments	174,627	12,148	8,956	
Accounts Receivable, Net		1,900	4	5
Inventories and Prepaid Items		9		251
Due from Primary Government	17,440	673		
Loans, Notes, and Pledges Receivable, Net	170,186	3,299		
Other Current Assets	23,599	420	311	
<b>Total Current Assets</b>	<b>412,174</b>	<b>33,535</b>	<b>12,716</b>	<b>490</b>
<b>Noncurrent Assets</b>				
Restricted Cash and Cash Equivalents		28,922		
Investments	403,346	316,660	19,801	16,384
Restricted Investments		756		
Due from Primary Government	1,741	3,172		
Loans, Notes, and Pledges Receivable, Net	975,788	7,500		
Other Noncurrent Assets		2,096		
Capital Assets, Net	6,056	6,645		
<b>Total Noncurrent Assets</b>	<b>1,386,931</b>	<b>365,751</b>	<b>19,801</b>	<b>16,384</b>
<b>Total Assets</b>	<b>\$1,799,105</b>	<b>\$399,286</b>	<b>\$32,517</b>	<b>\$16,874</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable		\$621		\$10
Unearned Revenue		3,673		14,999
Amounts Held in Trust for Others	\$10,055	14,856		
Due to Primary Government		1,095		
Other Accrued Liabilities	79,113	44	\$112	28
Bonds and Notes Payable	88,455	355		
Policy Claim Liabilities			1,971	1,837
<b>Total Current Liabilities</b>	<b>177,623</b>	<b>20,644</b>	<b>2,083</b>	<b>16,874</b>
<b>Noncurrent Liabilities</b>				
Amounts Held in Trust for Others		9,014		
Due to Primary Government		88,789		
Bonds and Notes Payable	1,425,314	14,270		
Policy Claim Liabilities			5,667	
<b>Total Noncurrent Liabilities</b>	<b>1,425,314</b>	<b>112,073</b>	<b>5,667</b>	
<b>Total Liabilities</b>	<b>1,602,937</b>	<b>132,717</b>	<b>7,750</b>	<b>16,874</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	6,056	1,927		
Restricted for:				
Debt Service	150,116			
Permanent Trust - Expendable		73,922		
Permanent Trust - Nonexpendable		189,879		
Other Purposes	162			
Unrestricted	39,834	841	24,767	
<b>Total Net Assets</b>	<b>196,168</b>	<b>266,569</b>	<b>24,767</b>	
<b>Total Liabilities and Net Assets</b>	<b>\$1,799,105</b>	<b>\$399,286</b>	<b>\$32,517</b>	<b>\$16,874</b>

The accompanying notes are an integral part of the financial statements.

Life and Health		
Bond Bank Authority	Insurance Guaranty	Total
	\$584	\$45,185
		486
\$1	8,366	204,098
		1,909
		260
		18,113
1,614		175,099
1,129	45	25,504
2,744	8,995	470,654
		28,922
		756,191
		756
		4,913
35,416		1,018,704
		2,096
		12,701
35,416		1,824,283
\$38,160	\$8,995	\$2,294,937
	\$2	\$633
	6	18,678
		24,911
		1,095
\$345	324	79,966
1,608		90,418
	305	4,113
1,953	637	219,814
		9,014
		88,789
36,206		1,475,790
		5,667
36,206		1,579,260
38,159	637	1,799,074
		7,983
		150,116
		73,922
		189,879
		162
1	8,358	73,801
1	8,358	495,863
\$38,160	\$8,995	\$2,294,937

*State of Idaho*

**Statement of Revenues, Expenses, and Changes in Fund Net Assets**

**Component Units**

**For the Fiscal Year Ended June 30, 2007**

*(dollars in thousands)*

	<b>Idaho Housing and Finance Association</b>	<b>College and University Foundation</b>	<b>Petroleum Clean Water Trust</b>	<b>Health Reinsurance</b>
<b>OPERATING REVENUES</b>				
Licenses, Permits, and Fees	\$9,173		\$98	
Sale of Goods and Services		\$92		\$3,285
Grants and Contributions		42,325		
Investment Income	77,568	5,210		
Other Income	1,178	1,751		
<b>Total Operating Revenues</b>	<b>87,919</b>	<b>49,378</b>	<b>98</b>	<b>3,285</b>
<b>OPERATING EXPENSES</b>				
Personnel Costs	6,607	2,187		
Services and Supplies	3,987	3,410	1,426	261
Benefits, Awards, and Premiums	1,887	55,239	1,990	6,121
Interest Expense	66,516	56		
Depreciation	419	326		
Other Expenses	19	867		
<b>Total Operating Expenses</b>	<b>79,435</b>	<b>62,085</b>	<b>3,416</b>	<b>6,382</b>
<b>Operating Income (Loss)</b>	<b>8,484</b>	<b>(12,707)</b>	<b>(3,318)</b>	<b>(3,097)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Payment from State of Idaho		1,004		2,435
Investment Income		37,777	1,334	668
Interest Expense		(846)		(6)
Gain (Loss) on Sale of Capital Assets		772		
Other Nonoperating Revenues (Expenses)	60	75		
<b>Total Nonoperating Revenues (Expenses)</b>	<b>60</b>	<b>38,782</b>	<b>1,334</b>	<b>3,097</b>
<b>Income (Loss) Before Contributions</b>	<b>8,544</b>	<b>26,075</b>	<b>(1,984)</b>	
Contributions to Permanent Endowments		81		
<b>Change in Net Assets</b>	<b>8,544</b>	<b>26,156</b>	<b>(1,984)</b>	
<b>Total Net Assets - Beginning of Year</b>	<b>187,624</b>	<b>240,413</b>	<b>26,751</b>	
<b>Total Net Assets - End of Year</b>	<b>\$196,168</b>	<b>\$266,569</b>	<b>\$24,767</b>	<b>\$0</b>

The accompanying notes are an integral part of the financial statements.



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Life and Health		
Bond Bank Authority	Insurance Guaranty	Total
		\$9,271
	\$57	3,434
\$20		42,345
1,346		84,124
	1,029	3,958
1,366	1,086	143,132
	84	8,878
	85	9,169
	329	65,566
1,347		67,919
		745
23	378	1,287
1,370	876	153,564
(4)	210	(10,432)
		3,439
	452	40,231
		(852)
		772
		135
	452	43,725
(4)	662	33,293
		81
(4)	662	33,374
5	7,696	462,489
\$1	\$8,358	\$495,863

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**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2007**

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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the State of Idaho have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting principles.

The financial statements are presented as of and for the year ended June 30, 2007, except for the Idaho State Bar, the Idaho Dairy Products Commission (nonmajor special revenue funds), the Petroleum Clean Water Trust Fund, the Idaho Life and Health Insurance Guaranty Association, the Idaho Individual High Risk Reinsurance Pool, and the Idaho Small Employer Health Reinsurance Program (discretely presented component units), whose statements are as of and for the fiscal year ended December 31, 2006; and the Idaho Potato Commission (nonmajor special revenue fund) whose statements are as of and for the year ended August 31, 2006.

**A. Reporting Entity**

The State of Idaho is governed under the *Idaho Constitution* of 1890, as amended. The legislative power is vested in a 35-member Senate and a 70-member House of Representatives; executive power is vested in the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and Superintendent of Public Instruction; and the judicial power is vested in the Idaho Supreme Court, the Idaho Court of Appeals, and district courts.

For financial reporting purposes, the State of Idaho's reporting entity includes the primary government and its component units. The primary government includes all funds, departments, agencies, boards, commissions, colleges and universities, and authorities that are considered an integral part of the State. Component units are legally separate organizations for which the State is financially accountable or other organizations for which the nature and significance of their relationships with the State are such that exclusion would cause the financial statements to be misleading or incomplete. Financial accountability exists if the State appoints a voting majority of the organization's governing board and either 1) is able to impose its will on the organization or 2) a potential exists for the organization to provide financial benefits to, or impose financial burdens on, the State.

For those entities for which the State does not appoint a voting majority of the governing body, inclusion of the entity is required if the organization is fiscally dependent on the State. Component units also include legally

separate and tax-exempt organizations whose economic resources directly benefit the State, the State is entitled to or has the ability to access those resources, and the resources are significant to the State.

***Blended Component Unit***

Blended component units are legally separate from the State but are so intertwined with the State that they are, in substance, the same as the State. The component units are reported as part of the State and blended into the appropriate funds.

The *Idaho State Building Authority* was created by *Idaho Code*, Section 67-6403, to finance and construct facilities, such as office buildings and parking garages, to be used and leased by the State. The Authority relies on the State's leasing agreements, resulting in a significant financial benefit/burden relationship; and the Authority provides services entirely to the State of Idaho. The Idaho State Building Authority is blended as a nonmajor special revenue fund.

***Discretely Presented Component Units***

Discretely presented component units are legally separate from the State but are financially accountable to the State, or their relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. These component units are reported in a separate column to emphasize that they are legally separate from the primary government.

The *Idaho Housing and Finance Association* was created by *Idaho Code*, Section 67-6202, for the purpose of building and rehabilitating residential housing for persons of low income and for facilitating the issuance of bonds or notes to finance projects for transportation infrastructure of the primary government. The Association is authorized to enter into agreements with the Idaho Transportation Department to facilitate transportation projects, including issuing bonds, thereby creating a financial benefit/burden relationship. The Governor appoints the Association board members. The Association is presented discretely as an enterprise fund.

The *College and University Foundation* fund includes the foundations of Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, and the University of Idaho. The foundations were established for the purpose of soliciting donations and to hold and manage invested donations for the primary benefit of the respective colleges and

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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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universities. The College and University Foundation fund is presented discretely as an enterprise fund.

The *Petroleum Clean Water Trust Fund* was created by *Idaho Code*, Section 41-4905, to provide pollution liability insurance for eligible owners and operators of petroleum storage tanks. The Fund is subject to the direction and supervision of the manager of the State Insurance Fund. The State approves, and may modify, the Fund's annual budget and thereby has the ability to impose its will on the Fund. The Fund is presented discretely as an enterprise fund.

The *Life and Health Insurance Guaranty Association* is a nonprofit organization authorized by the *Idaho Life and Health Insurance Guaranty Association Act* of 1977, *Idaho Code*, Section 41-4306. The Act was passed to provide a mechanism for the payment of covered claims under certain insurance policies when an insurer becomes insolvent. All insurance companies that sell direct and supplemental life, disability policies, and annuity contracts are required to be members of the Association as a condition of their authority to transact business in Idaho. Member insurers select the board members; however, the director of the Department of Insurance has veto power and may dismiss management at will. Insurers may offset assessments against their premium taxes (thereby reducing tax revenues to the State). This imposes a potential direct financial burden on the State. The Association is presented discretely as an enterprise fund.

The *Idaho Bond Bank Authority* was created by *Idaho Code*, Section 67-8703, authorizing the Authority to issue bonds to make loans to municipalities for infrastructure. The Authority can obtain better credit ratings, interest rates, and lower underwriting costs than municipalities can achieve individually. The Authority is administered by a five member board, of which two members are appointed by the governor and three are elected officials. The Authority can obligate sales tax revenue as a source of payment or security for bonds issued, which imposes a potential direct financial burden on the State. The Authority is presented discretely as an enterprise fund.

The Health Reinsurance fund includes the *Idaho Individual High Risk Reinsurance Pool* created by *Idaho Code*, Section 41-5502; and the *Idaho Small Employer Health Reinsurance Program* created by *Idaho Code*, Section 41-4711. Both the Pool and the Program are intended to promote the availability of health insurance coverage, regardless of health or claims experience, by providing a safety net to carriers in the form of a risk pool and reinsurance mechanism and to facilitate the guaranteed issue of standardized state-approved health

benefit plans. Both the Pool and Program operate subject to the supervision and control of the same ten-member board, a majority of which is appointed by the director of the Department of Insurance. Due to the level of authorized oversight of the Department of Insurance, the State has the ability to impose its will on these programs. The Pool is partially funded through state premium tax revenue creating a financial burden for the State. The assets of the Pool and Program are restricted for specific purposes and are not subject to appropriation by the Idaho Legislature for other uses. The Pool and the Program are presented discretely together as an enterprise fund.

Financial statements for the component units may be obtained as follows:

Idaho State Building Authority  
755 West Front Street, Suite 200  
Boise, ID 83702

Idaho Housing and Finance Association  
565 West Myrtle  
P.O. Box 7899  
Boise, ID 83707-1899

Boise State University Foundation, Inc.  
2225 West University Drive  
Boise, ID 83706

Eastern Idaho Technical College Foundation, Inc.  
1600 South 25<sup>th</sup> East  
Idaho Falls, ID 83404

Idaho State University Foundation, Inc.  
921 South 8<sup>th</sup> Avenue  
Campus Box 8050  
Pocatello, ID 83209

Lewis-Clark State College Foundation, Inc.  
Lewis-Clark State College  
Controller's Office  
500 8<sup>th</sup> Avenue  
Lewiston, ID 83501

University of Idaho Foundation, Inc.  
1106 Blake Avenue  
P.O. Box 443150  
Moscow, ID 83844-3150

Idaho Petroleum Clean Water Trust Fund  
1215 West State Street  
P.O. Box 83720  
Boise, ID 83720-0044

Idaho Life and Health Insurance Guaranty Association  
4700 North Cloverdale Road, Suite 204  
Boise, ID 83713-1068

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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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Idaho Bond Bank Authority  
304 North 8<sup>th</sup> Street, Room 208  
P.O. Box 83720  
Boise, ID 83720-0091

Idaho Individual High Risk Reinsurance Pool  
Idaho Small Employer Health Reinsurance Program  
P.O. Box 7186  
Boise, ID 83707

***Related Organizations***

The *State Insurance Fund*, created by *Idaho Code*, Section 72-901, and the *Health Facilities Authority*, created by *Idaho Code*, Section 39-1444, are related organizations for which the State is not financially accountable although the State appoints a voting majority of the organizations' boards. The financial reports of these organizations are excluded from the State's financial statements.

**B. Government-Wide and Fund Financial Statements**

***Government-Wide Statements***

The *Statement of Net Assets* and *Statement of Activities* report information on nonfiduciary activities of the primary government and its component units. Primary government activities distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Internal service funds are included with governmental activities in the government-wide statements and are included with the proprietary funds in the fund statements.

The *Statement of Net Assets* presents the State's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are displayed in the following three categories:

*Invested in Capital Assets, Net of Related Debt*, consists of capital assets net of accumulated depreciation and reduced by outstanding related debt.

*Restricted Net Assets* result when third parties, constitutional provisions, or enabling legislation impose constraints on net asset use. The State does not have a policy regarding the preferred first usage of unrestricted or restricted net assets. Expense allocation decisions are made on a program-by-program basis when both restricted and unrestricted net assets are available. Restricted net asset balances

will fluctuate as related accounting transactions occur.

*Unrestricted Net Assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets may have constraints or designations placed upon them by management, which can be unilaterally removed.

The *Statement of Activities* demonstrates the degree to which the direct expenses of governmental functions, business-type activities, and component units are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific governmental function, business-type activity, or component unit. Revenues are broken out by program and general designations. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, activity, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Program revenues display the extent to which programs are self-funded. The arithmetic difference between direct expenses and program revenue displays the net cost of the function to be financed from the State's general revenues. Taxes and other revenue sources that are not attributable to specific programs are shown as general revenues.

State agencies share the cost of some centralized services. These administrative overhead charges are reported as direct program expenses of each of the various functions. Certain indirect costs are paid by the general government function and are not allocated to the other governmental functions.

To better reflect the break-even emphasis of the internal service funds, the net income or loss from business conducted with primary government customers is eliminated. Eliminations are made to the operating expenses or revenues of the participating functions.

***Fund Statements***

Separate fund financial statements are presented for the governmental, proprietary, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. The emphasis in the fund statements is on major funds. Major governmental and business-type funds are reported as separate columns in the fund statements. The remaining governmental and business-type funds are considered to be nonmajor funds and are consolidated in a nonmajor funds column. The nonmajor funds are displayed individually in combining statements.

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## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2007

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The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for services that include general government, public safety and correction, health and human services, education, economic development, and natural resources. The General Fund includes all financial resources of the general government except those required to be accounted for in another fund.

The *Health and Welfare* fund accounts for resources used for public assistance, medical care, foster care, and other relief for eligible citizens of Idaho.

The *Transportation* fund accounts for resources used for administration, construction, and maintenance of the state highway and aviation systems.

The *Public School* and *Pooled Endowment* funds manage and invest the revenues generated from the sale or lease of lands granted from the federal government under the *Idaho Admission Act*.

The State reports the following major proprietary funds:

The *College and University* fund accounts for resources used by the State's system of higher education.

The *Unemployment Compensation* fund accounts for resources used to provide unemployment benefits to eligible unemployed workers.

The *Loan* fund accounts for loans to make improvements to irrigation, wastewater, and drinking water systems.

Additionally, the State reports the following fund types:

#### ***Governmental Fund Types***

*Special revenue funds* account for specific revenue sources that are restricted to expenditures for specified purposes.

The *capital project fund* accounts for revenues designated to finance construction of transportation infrastructure.

*Permanent funds* account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support certain state programs.

#### ***Proprietary Fund Types***

*Enterprise funds* account for governmental operations that function in a manner similar to

private business enterprises. The intent is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

*Internal service funds* account for a variety of independent operations that provide goods or services to other state agencies or governmental units on a cost-reimbursement basis. Internal service fund activities of the State include property, liability, and other types of insurance; data processing services; and other general services such as facilities rentals.

Operating and nonoperating revenues and expenses are presented separately on the operating statements. Operating transactions occur if they directly result from the provision of goods or services to customers, or are otherwise directly related to the principal and usual activity of the fund. All other revenues and expenses are reported as nonoperating.

#### ***Fiduciary Fund Types***

*Pension trust funds* account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, and other employee benefits.

*Investment trust funds* account for external participants' investments with the State's Local Government Investment Pool and Diversified Bond Fund.

*Agency funds* account for resources collected or held by the State, acting in a custodial capacity, for distribution to other governmental units or designated beneficiaries. These resources include deposits of securities by banks and insurance companies as well as employee payroll deductions.

The *private-purpose trust fund* accounts for resources legally held in trust by the IDEal Idaho College Savings Program; the principal and interest benefit individuals. Complete financial statements may be obtained by writing to IDEal College Savings Program, P.O. Box 55254, Boston, MA 02205-8675.

#### ***Reconciling Government-Wide Statements to the Fund Statements***

The governmental fund statements include a reconciliation between the fund statements and the government-wide statements. Differences that make a reconciliation necessary include the two differing measurement focuses and bases of accounting between the statements and the inclusion of internal service funds

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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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with governmental activities on the government-wide statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary (except agency) fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Agency funds report only assets and liabilities using the accrual basis of accounting; they have no measurement focus.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Significant revenue sources susceptible to accrual include sales tax, individual and corporate taxes, motor fuel taxes, and federal grants. Licenses, permits, fees, and other miscellaneous revenues, which are derived from an underlying transaction, are recognized when received since they are normally only measurable at that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded when paid.

Reimbursements are eliminated in the financial statements to reduce the grossing-up effect of internal transactions. Reimbursements are repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements include federal grant pass-throughs from one state agency to another and the allocation of central human resource costs to all agencies.

The State reports only enterprise funds as business-type activities. The business-type activities follow all current GASB pronouncements. They also follow all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a

GASB pronouncement. The State has elected not to apply FASB pronouncements issued after November 30, 1989, for business-type activities.

**D. Assets and Liabilities**

***Cash and Cash Equivalents***

Cash and Cash Equivalents consist of bank accounts; petty cash; cash in transit; money markets; FDIC insured nonnegotiable certificates of deposit; and short-term, highly-liquid investments with a maturity of three months or less from the purchase date.

***Pooled Cash and Investments***

Cash balances of most funds are deposited with the State Treasurer's Office (STO). Balances not required to meet immediate needs are pooled in an internal investment pool. *Idaho Code*, Sections 67-2725 through 67-2749 and Sections 67-1210 and 67-1210A, govern STO deposit and investment policies for the pooled balances. At June 30, 2007, the weighted average maturity of the pool was 221 days.

***Investments***

The State Treasurer's Office (STO) and other administrative bodies manage investments as determined by state law. The STO manages investments of state funds and funds of other qualified entities within the State in accordance with *Idaho Code*, Sections 67-1210 and 67-1210A. See Note 2 for more information.

The State reports most investments at fair value based on published market prices and quotations from investment brokers. Investments held in lieu of surety deposits, which are not held for investment purposes, are carried at historical cost in the State's agency funds. Certain entities disclosed in Note 2 report money market investments and other highly liquid investments with a remaining maturity of one year or less at the time of purchase using amortized cost.

The Public Employee Retirement System of Idaho, the Judges' Retirement fund, and the endowment funds are permitted to make investments in accordance with the *Idaho Uniform Prudent Investor Act*, Sections 68-501 through 68-514, of the *Idaho Code*.

***Securities Lending Collateral***

Security lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. Securities lending collateral is reported at fair market value. See Notes 2 and 3 for more information.

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2007

### ***Receivables, Net***

Receivables in the General Fund consist primarily of income and sales taxes. Special revenue fund receivables consist primarily of health and transportation federal grants and fuel taxes. Proprietary fund receivables consist mainly of unemployment assessments, student tuition and fees, and federal grants. Fiduciary fund receivables consist primarily of investments sold in the pension trust funds. The receivables are disaggregated on the financial statements.

### ***Internal Balances***

Interfund receivables and payables consist of unpaid balances for goods and services provided by one fund to another. Interfund goods and services provided are reported as revenues in seller funds and expenditures or expenses in purchaser funds. These balances are generally short-term receivables and payables. See Note 4 for interfund schedules and those receivables not expected to be collected within one year. Interfund receivable and payable balances and activity have been eliminated from the government-wide Statement of Net Assets, except for the residual amounts due between governmental and business-type activities, which are shown as Internal Balances.

### ***Inventories and Prepaid Items***

Inventory consists of materials and supplies that will be consumed within a year. Governmental and proprietary fund-type inventories of supplies and materials are valued at cost, which approximates market, generally using the first-in, first-out method. The consumption method of inventory accounting is used. Prepaid expenses represent amounts paid in the current period for services that will benefit future periods. Prepaids are accounted for using the consumption method.

### ***Other Assets***

Other assets include interest receivable and other miscellaneous items.

### ***Capital Assets, Net***

Capital assets include land, buildings and improvements, construction in progress, historical art and collections, improvements other than buildings, machinery and equipment, all infrastructure regardless of acquisition date, and other capital assets. Assets with a cost of \$5,000 or more and a useful life of more than one year are capitalized. The costs of normal repairs and maintenance that do not add to the asset's functionality or materially extend an asset's useful life are not

capitalized. Interest expense related to capital asset construction is capitalized for business-type activities.

Capital assets are recorded at cost or estimated historical cost, if actual cost is not available. In cases where historical cost is not available, assets are valued using comparables indexed forward or backward with the consumer price index. Donated capital assets are recorded at estimated fair value at the date of donation. Endowment land originally granted to the State by the federal government is valued at one dollar per acre. For more information regarding endowment land, refer to donor-restricted endowments in Note 14.

All capital assets, with the exception of roads, rights-of-way, land, construction in progress, historical art and collections, and certain intangible or amortized assets are depreciated. For all depreciable major asset classes, depreciation is calculated on a straight-line basis over their estimated useful lives, as follows:

<u>Assets</u>	<u>Years</u>
Buildings	30 - 50
Improvements Other Than Buildings	5 - 50
Machinery, Equipment, and Other	3 - 40
Bridges	75

Roads and rights-of-way are not depreciated but rather are accounted for under the modified approach. The modified approach recognizes that this class of infrastructure will be indefinitely maintained at a certain condition level and as such does not have a limited lifespan. Costs to maintain the roads at the set condition levels are expensed rather than capitalized, unless the road's service potential is increased or additions are made. The State's Transportation Department has the responsibility for determining and assessing the condition levels, maintaining the inventory of roads, and making annual estimates of costs to maintain the roads. Further information regarding infrastructure can be found in the Required Supplementary Information.

Historical art and collections are not capitalized unless those collections were already capitalized on June 30, 1999. Historical art and collections include historical artifacts, documents, rare books, paintings, portraits, State Capitol related artifacts, furnishings, films, statues, and monuments. Historical art and collections are on public display, preserved and protected, and are used in the furtherance of historical education or are involved in advancement of artistic or historical research. If sold, the proceeds are used to acquire other items for the collection.



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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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***Payables***

Payables in the General Fund consist primarily of sales taxes due to local governments. Payables in the special revenue funds relate primarily to public assistance (the largest being Medicaid) and fuel taxes to be distributed to local governments. Proprietary fund payables consist mostly of payroll liabilities, vendor obligations, and liquor sales distributions to local governments. The pension trust fund payable is comprised primarily of investments purchased by the Public Employee Retirement System of Idaho. Payables in agency funds relate to amounts held in a custodial capacity. All fund types have generic vendor payables.

***Unearned/Deferred Revenue***

Unearned revenue is recorded when cash is received prior to being earned. In the governmental fund statements, deferred revenue includes unearned revenue in addition to revenue that is earned but not available.

***Amounts Held in Trust for Others***

Amounts held in trust for others consist of cash or other assets held for an individual or entity until certain conditions of an agreement are met, at which time the asset is generally returned to the owner. Occasionally the owner may default on the conditions, the asset held in trust becomes the property of the State, and revenue is recorded at that time.

***Obligations Under Securities Lending***

Obligations under securities lending consist of the collateral that has been received from borrowers for lent securities. The State has an obligation to return the collateral when the borrower returns the securities to the State. See Notes 2 and 3 for more information.

***Other Accrued Liabilities***

Other accrued liabilities primarily consist of interest payable, unclaimed property, and other accrued liabilities.

***Long-Term Liabilities***

Government-wide and proprietary financial statements report long-term obligations as liabilities, with the portion payable within twelve months designated separately from the portion payable in more than twelve months. Long-term liabilities include the following:

*Capital Leases Payable* consists of lease contracts that transfer substantially all of the benefits and risks of ownership of property to the State.

*Compensated Absences Payable* includes vacation and compensatory time earned by employees but not paid and retirees' unused sick leave to be used for the acquisition of health insurance.

*Bonds and Notes Payable* consists of bonds and notes issued for the construction or acquisition of facilities and for funding various projects. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the loan. See Note 12 for further explanation.

*Policy Claim Liabilities* includes amounts for probable claims that have been incurred and the amount of the loss has been reasonably estimated.

*Claims and Judgments* are payables on behalf of the State and its agencies for various legal proceedings and claims.

*Other Long-Term Liabilities* consists mainly of a net pension obligation and an arbitrage liability.

**E. Fund Equity**

Fund equity represents the difference between fund assets and fund liabilities. The governmental fund equity is called fund balance, while the government-wide, proprietary, and fiduciary fund equity is called net assets. Reservations of fund balance and restricted net assets identify net assets that are not available for appropriation for expenditure or are legally segregated for a specific future use.

**F. Newly Issued Accounting Pronouncements**

In June 2004 the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). This Statement establishes standards of accounting and financial reporting for OPEB expenses/expenditures and related OPEB liabilities. The State has completed an actuarial valuation of the postemployment benefits as of June 30, 2006. The actuarial accrued liability is \$286.1 million if the State prefunds this obligation; if the obligation is not funded, the liability is \$408.6 million. The State is not required to prefund the liability. The State continues to study the most effective way to address the OPEB liability. The requirements of this Statement are effective for the fiscal year ending June 30, 2008.

In September 2006 the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement provides accounting and reporting guidance for state and local governments that sell or pledge receivables or future revenues. This

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2007

Statement also provides guidance for transfers of assets or future revenues within the government. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2008.

In November 2006 the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement establishes requirements for accounting and reporting obligations to address the current or potential detrimental effects of existing pollution. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2009.

In May 2007 the GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns

financial reporting requirements for pensions with those for other post-employment benefits and provides enhanced disclosures in the notes to financial statements and required supplementary information. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2008.

In June 2007 the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement defines an intangible asset's required characteristics and generally requires that they be treated as capital assets. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2010.

### NOTE 2. DEPOSITS AND INVESTMENTS

#### A. Deposits

Cash and cash equivalents are deposited with various financial institutions and are carried at cost. Legal provisions regarding deposits are found throughout *Idaho Code*, Title 67. The State Treasurer's Office (STO) acts as the State's bank, receiving and disbursing all moneys except for the following: the Idaho Bond Bank Authority, the Idaho Life and Health Guaranty Association, the Idaho Housing and Finance Association, the Idaho Individual High Risk Reinsurance Pool, the Idaho Small Employer Health Reinsurance Program, the college and university foundations, the Idaho State Building Authority, some of the endowment fund accounts, the State Bar, the Potato Commission, the Dairy Products Commission, the Wheat Commission,

some of the colleges and universities' accounts, and some of the Public Employee Retirement System of Idaho accounts. In accordance with *Idaho Code*, Sections 67-1210 and 67-1210A, the STO invests cash not needed to meet immediate obligations in various types of investments. Interest received on the pooled cash and investments is paid into the General Fund, unless Idaho statute requires allocation of interest to specific funds. At June 30, 2007, the weighted average maturity of the pooled cash and investments held by the STO was 221 days.

*Custodial credit risk* is the risk that in the event of a financial institution failure, the State's deposits may not be returned. The State does not have a formal policy to address custodial credit risk.

#### Custodial Credit Risk at June 30, 2007

(dollars in thousands)

	Governmental and Business- Type Activities	Fiduciary Funds	Component Units
Bank Value of Deposits	\$1,726,041	\$24,940	\$74,989
Uninsured and Uncollateralized Deposits	14,142	4,818	5,844
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution	158,373	1,681	
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution's Trust Department or Agent, but not in the State's Name			24,403

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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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**B. Investments**

***General Investment Policies***

The *Idaho Uniform Prudent Investor Act, Idaho Code*, Sections 68-501 through 68-514, stipulates the standard to be followed by state investment personnel. The primary focus of the Act is preservation of capital and avoidance of speculative transactions through exercise of reasonable care, skill, and caution. The goal is to provide a reasonable return while following specific objectives of various trusts. The Act may be expanded, restricted, eliminated, or altered by provisions of Idaho statute or a trust.

The STO invests idle moneys, other than the public endowment funds, in accordance with *Idaho Code*, Sections 67-1210, 67-1210A, and 67-2739. The STO Investment Division handles short-term investing and outsources long-term investing.

Some investments are made directly by an agency rather than by the STO. Only a few agencies are authorized to make such investments and then only for specific programs. Investments are valued as described in Note 1.

***Types of Investments***

*Idaho Code*, Section 67-1210, authorizes the STO and agencies with investment authority to make direct investments in the following types of investments:

- U.S. government obligations, which pledge the full faith and credit of the U.S. government
- General obligation or revenue bonds of the State or any Idaho county, city, or taxing district
- Obligations issued under the Farm Credit Act of 1971; obligations issued by the Federal National Mortgage Association and the Federal Home Loan Bank; and obligations issued or guaranteed by other agencies or instrumentalities of Idaho or of the United States, including the U.S. Small Business Administration guaranteed portion of any approved loan by an Idaho banking corporation and by the STO
- Obligations issued by public corporations of the State
- Repurchase agreements covered by any legal investment for the State
- Tax and revenue anticipation instruments of the State or Idaho taxing districts
- Time deposit and savings accounts in state depositories, state and federal savings and loan associations, or state and federal credit unions located within the boundaries of Idaho

- Revenue bonds of Idaho higher education institutions
- Money market funds whose portfolios consist of investments specified in this section and are denominated in U.S. dollars

*Idaho Code*, Section 67-1210A, authorizes the STO to enter into the following additional types of transactions:

- Prime banker's acceptances and prime commercial paper
- Sale and repurchase of call options on securities owned by the STO or the Local Government Investment Pool
- Securities lending agreements
- Bonds, notes, and debentures of any U.S. corporation with at least an A rating by a nationally recognized statistical rating organization such as Standard & Poor's or Moody's

The Endowment Fund Investment Board (EFIB) manages investments of Idaho's two permanent funds, the Public School Endowment fund and the Pooled Endowment fund. *Idaho Code*, Section 57-720, gives the EFIB the authority to formulate investment policies of the permanent endowment funds and earnings reserve funds. *Idaho Code*, Section 57-723, stipulates that the EFIB and its investment managers are governed by the *Idaho Uniform Prudent Investor Act* and the *Idaho Constitution*. In addition to the investment types mentioned previously, the EFIB has approved the following types of investments:

- Domestic equities and high-yield bonds
- International equities
- Collateralized mortgage obligations
- Fixed-income securities with a minimum Baa rating by Moody's or equivalent rating, Yankee bonds with a minimum A rating, equity-linked debt with a minimum rating of A, pass-through mortgage-backed securities with a minimum Aaa or equivalent rating
- Derivative instruments, specifically, covered call options
- Forward foreign currency contracts
- Forward and futures contracts to buy or sell a specified amount of an underlying security at a given delivery or maturity date for an agreed upon price

The Retirement Board of the Public Employee Retirement System of Idaho (PERSI) has established a Statement of Investment Policy in accordance with *Idaho Code*, Sections 59-1301 through 59-1399. In addition to

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## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2007

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the investments mentioned above for the STO and the EFIB, the following types of investments are approved for PERSI funds:

- Derivative instruments, specifically, futures, options, swaps, repurchase agreements, and forward foreign currency contracts by a few selected managers
- Private equity real estate investments in open-end and closed-end commingled real estate funds, direct real estate, publicly traded real estate investment trusts and other public real estate companies, private real estate companies, and real estate operating venture entities
- Alternative investments upon the recommendation of a qualified consultant after due diligence and with approval by the Board or subcommittee appointed by the Board

#### *Custodial Credit Risk of Investments*

Custodial credit risk for investments is the risk that in the event of the failure of a counterparty, the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The State does not have a formal policy to address custodial credit risk.

At June 30, 2007, the Judges' Retirement fund held \$13.4 million of federal agency securities, \$0.4 million of foreign agency securities, \$4.6 million of corporate bonds, and \$44.8 million of equity securities held by the broker-dealer, not in the fund's name. The fund's investment policy does not contain legal or policy requirements that would limit exposure to custodial credit risk.

The PERSI investment policy mitigates custodial credit risk, to the extent possible, by requiring that investments be registered in the name of PERSI and be delivered to a third party custodian. Short-term investments are created through daily sweeps of excess cash. At June 30, 2007, PERSI had various short-term investments of \$30.5 million held by various counterparties, not in PERSI's name.

The Bronco Athletic Association (BAA) does not have a formal policy that would limit exposure to custodial credit risk. At June 30, 2007, the BAA held \$0.1 million of certificates of deposit that were uninsured and uncollateralized.

The Boise State University Foundation does not have a formal policy that would limit its exposure to custodial credit risk. At June 30, 2007, the Foundation held \$0.5

million of U.S. Treasury bonds, \$7.8 million of corporate bonds, \$20.9 million of bond mutual funds, \$53.0 million of equity mutual funds, and \$0.1 million of private equity funds that were uninsured and held in the name of the broker.

#### *Interest Rate Risk of Debt Securities*

Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. All investment managers are governed by the *Idaho Uniform Prudent Investor Act* as detailed in *Idaho Code*, Sections 68-501 through 68-514. The State has not adopted a formal policy that addresses interest rate risk, except as follows:

- The EFIB has adopted the policy that the fixed-income weighted average of the EFIB portfolio may not exceed that of the Lehman Aggregate Index by more than one-half year. The separate Endowment Funds Interest Rate Risk schedule quantifies the interest rate risk of EFIB fixed-income securities at June 30, 2007.
- The PERSI manages interest rate risk using the effective duration methodology, which takes into account the options on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of the PERSI fixed-income portfolios are managed in accordance with operational guidelines, which include an expected range of interest rate risk in the portfolio. Per the PERSI policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager. The reporting of effective duration found in the separate schedule following the primary government interest rate risk quantifies the interest rate risk of the PERSI fixed-income assets. Some of the large durations are due to the use of options and forward foreign currency contracts.
- The Idaho Housing and Finance Association has adopted bond indentures, bond resolutions, and trust resolutions that provide investment maturities be based upon the cash requirements of the Association's accounts, as determined by authorized Association investment officers. The Association's investment maturities are presented as part of the Component Units Maturity of Debt Investments at June 30, 2007.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2007

**Primary Government and Fiduciary Funds Investments and Maturities at June 30, 2007**  
**(Except Endowment Funds, PERSI, and Idaho College Savings Program)**  
*(dollars in thousands)*

<b>Investment Type</b>	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>6-10 Years</b>	<b>11-15 Years</b>	<b>16-20 Years</b>	<b>21-25 Years</b>	<b>Total Fair Value</b>
<u>Debt Securities:</u>							
Money Market Funds	\$647,350						\$647,350
Certificates of Deposit	65,000	\$74					65,074
Repurchase Agreements	1,270,161	46,843					1,317,004
Commercial Paper	352,640	479	\$621				353,740
U.S. Government Obligations	299,377	51,993	15,764		\$61	\$29	367,224
U.S. Gov't Agency Obligations	1,424,260	128,810	29,912	\$41,672			1,624,654
Mortgage-Backed Securities*		118,200	142,429				260,629
Asset-Backed Securities*	12,704	120,060	4,838	1,441			139,043
Commercial Mortgages		2,830	10,604				13,434
Corporate Obligations	242,916	321,487	27,241	3,175		27	594,846
Municipal and Public Entity Obligations	11,060	19	42				11,121
Bond Mutual Funds and Other Pooled Fixed-Income Securities	712	196					908
Foreign Agency Obligations		206	204				410
Idaho Small Business Loans	28	742	1,345	213	334		2,662
External Investment Pools	71,091						71,091
<b>Total Debt Securities</b>	<b>\$4,397,299</b>	<b>\$791,939</b>	<b>\$233,000</b>	<b>\$46,501</b>	<b>\$395</b>	<b>\$56</b>	<b>5,469,190</b>
<u>Other Investments:</u>							
Certificates of Deposit							522
Mutual Funds							2,633
Preferred Stock							25,550
Domestic Equity Securities							38,988
Foreign Equity Securities							5,854
<u>Reconciling Items:</u>							
Public School Endowment and Pooled Endowment Investments Reported Separately Below							1,292,325
PERSI Investments (Part of Fiduciary Funds) Reported Separately Below							12,031,112
Idaho College Savings Program Investments (Part of Fiduciary Funds) Reported Separately Below							123,146
Less the State Treasurer's Idle Pool Included with Investments for Note Disclosure Purposes							(1,520,927)
<b>Primary Government and Fiduciary Funds Investments Per Financial Statements</b>							<b>\$17,468,393</b>

\*Mortgage-backed and asset-backed securities are reported using weighted-average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2007**

**Endowment Funds Interest Rate Risk at June 30, 2007**

(dollars in thousands)

<b>Investment Type</b>	<b>Fair Value</b>	<b>Modified Duration In Years</b>
<u>Debt Securities:</u>		
Lehman Aggregate Bond	\$269,304	4.7
U.S. Treasury Inflation-Protected Securities	28,644	6.4
U.S. Government Obligations	19,788	1.1
Total Endowment Fund Debt Securities	<u>317,736</u>	
<u>Other Investments:</u>		
Equity Investments	804,157	
Money Market Funds	11,050	
Securities Lending Collateral	159,382	
Total Other Endowment Fund Investments	<u>974,589</u>	
<b>Total Endowment Fund Investments</b>		
<b>Reported on the Financial Statements</b>	<b><u>\$1,292,325</u></b>	

**PERSI Investments at June 30, 2007**

(dollars in thousands)

<b>Investment Type</b>	<b>Fair Value</b>
Domestic Fixed-Income	\$2,353,069
Fixed-Income Futures	30
Commingled Domestic Fixed-Income	86,583
Short-Term Domestic Investments	498,117
Domestic Fixed-Income - U.S. Dollar Denominated International Securities	115,480
Idaho Commercial Mortgages	282,450
Euro Futures	22
Foreign/Euro Options	370
International Fixed-Income	29,467
Short-Term Investments	1,128
Domestic Equities	4,680,607
Domestic Equities - Preferred Stock	38,688
Domestic Equities - Convertibles	1,697
International Equities	2,630,860
International Equities - Preferred Stock	57,324
Real Estate	383,597
Private Equity - Domestic	403,602
Private Equity - International	29,688
Mutual Funds	294,073
Commingled Equity Fund	144,260
<b>Total Fair Value of PERSI Investments</b>	<b><u>\$12,031,112</u></b>

**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2007**

**PERSI Effective Duration of Fixed Income Assets by Security Type at June 30, 2007**  
*(dollars in thousands)*

Investment Type	Domestic Securities		International Securities		Total Fair Value
	Fair Value	Effective Duration in Years	Fair Value	Effective Duration in Years	
Asset-Backed Securities	\$17,128	1.17	\$204	7.15	\$17,332
Asset-Backed Securities			210	*	210
Mortgages	57,279	2.65			57,279
Mortgages	574	*			574
Commercial Paper	402,204	0.13			402,204
Corporate Bonds	422,417	5.88	111	4.44	422,528
Corporate Bonds	1,048	*			1,048
Fixed-Income Derivatives	(193)	*	370	*	177
Government Agencies	159,143	4.19	6,780	5.85	165,923
Government Bonds	346,526	5.49	20,379	8.28	366,905
Government Bonds			1,783	*	1,783
Government Mortgage-Backed Securities	428,690	2.94			428,690
Government Mortgage-Backed Securities	92,027	*			92,027
Pooled Investments	15,895	0.01			15,895
Pooled Investments	86,583	*			86,583
Preferred Stock	1,697	*			1,697
Private Placements	62,404	3.33			62,404
Private Placements	7,973	*			7,973
TIPS	921,529	7.76			921,529
Idaho Mortgages	282,450	*			282,450
<b>Total PERSI Fixed Income Securities</b>	<b>\$3,305,374</b>		<b>\$29,837</b>		<b>\$3,335,211</b>

\*Duration calculations for some securities are not available.

**Idaho College Savings Program Investments at June 30, 2007**  
*(dollars in thousands)*

Investment Type	Fair Value
Money Market Fund*	\$7,918
Bond Fund*	26,020
Inflation-Linked Bond Fund*	8,692
Equity Funds	46,021
International Equity Funds	13,300
Real Estate Securities Fund	6,494
Funding Agreement	14,701
<b>Total Idaho College and Savings Program Investments Reported on the Financial Statements</b>	<b>\$123,146</b>

\*Maturity dates are not available in the audited financial statements of the Idaho College Savings Program.

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

**Component Units Maturity of Debt Investments at June 30, 2007**

(dollars in thousands)

<b>Investment Type</b>	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>6-10 Years</b>	<b>11-15 Years</b>	<b>16-20 Years</b>	<b>21-25 Years</b>	<b>26-30 Years</b>	<b>Total Fair Value</b>
<b>Debt Securities</b>								
Money Market Funds	\$165,047							\$165,047
Certificates of Deposit	220		\$15					235
U.S. Government Obligations	5,934	\$18,064	1,725	\$14,691				40,414
U.S. Gov't Agency Obligations	9,702	44,811	26,050	77,760			\$166	158,489
Corporate Obligations	14,311	19,917	6,632	10,656	\$18			51,534
Preferred Securities					83	\$1,013		1,096
Municipal Obligations	5	298	797	2,454				3,554
Bond Mutual Funds		10,875	37,970					48,845
<b>Total Debt Securities</b>	<b>\$195,219</b>	<b>\$93,965</b>	<b>\$73,189</b>	<b>\$105,561</b>	<b>\$101</b>	<b>\$1,013</b>	<b>\$166</b>	<b>469,214</b>
<b>Other Investments</b>								
Cash Equivalents included with Investments								1,600
Domestic Equities								116,993
Foreign Equities								417
Private Equities								484
Investment Agreements								271,030
Corporate Obligations Without Maturity Dates								5,475
Preferred Securities Without Maturity Dates								200
Equity and Income Mutual Funds								83,088
International Equity Funds								6,597
Private Equity Funds								153
Commodities Funds								1,569
Real Estate and Perpetual Trusts								3,869
Insurance Annuities								356
<b>Component Units Investments Per Financial Statements</b>								<b>\$961,045</b>

**Credit Risk of Debt Securities**

The risk that an issuer of debt securities or another counterparty to an investment transaction will not fulfill an obligation is commonly expressed in terms of the credit quality rating issued by a national rating organization. Investments explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality ratings. Unless otherwise stated, the ratings presented use the Moody's scale. The State does not have a formal policy to address credit risk of debt securities. The following Boards have formally adopted policies that address credit quality ratings of debt securities:

- The State Board of Education policy allows colleges and universities to invest in corporate bonds and mortgage-backed securities of Aa grade or better and commercial paper of prime or equivalent grade without prior Board approval.

- The EFIB investment policy states that fixed-income securities must be rated Baa or better, commercial paper must be rated A1 (or the equivalent) or better, and money market funds shall contain securities with an absolute minimum of investment grade by Standard & Poor's or Moody's.
- PERSI has no strict limitations for credit risk exposures. Each PERSI portfolio is managed in accordance with operational guidelines that are specific as to expected portfolio characteristics that usually, but not always, include credit quality and exposure levels. Per the PERSI policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager.
- Idaho Housing and Finance Association policies permit investments for each bond issue in accordance with the various bond indentures and bond resolutions



**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2007**

adopted by the Association. Program account investments are restricted to those allowed by *Idaho Code*, Section 67-6215B, or by federal regulations. The Association has adopted resolutions as policy for authorized investments in the Affordable Housing

Investment Trust and the Bond Rating Compliance and Loan Guaranty Trust. The Board has not adopted a formal policy related to the Association's business operations investments.

**Primary Government and Fiduciary Funds Credit Quality Ratings of Debt Securities at June 30, 2007**  
**(Except Endowment Funds and PERSI)**  
*(dollars in thousands)*

<b>Investment Type</b>	<b>Fair Value</b>	<b>Aaa</b>	<b>Aa</b>	<b>A</b>	<b>Baa</b>	<b>B</b>	<b>A1-P1</b>	<b>Unrated</b>
Money Market Funds*	\$794,059	\$620,710						\$173,349
Certificates of Deposit	65,596							65,596
Repurchase Agreements	46,843		\$46,843					
Commercial Paper	295,651	596	304	\$200			\$294,551	
U.S. Gov't Agency Obligations	1,624,654	1,624,413	241					
Mortgage-Backed Securities	260,629	258,819						1,810
Asset-Backed Securities	67,393	67,393						
Commercial Mortgages	13,434	13,434						
Corporate Obligations	174,084	74,510	48,346	27,420	\$23,759	\$48		1
Municipal and Public Entity Obligations	11,121	61						11,060
Bond Mutual Funds and Other Pooled Fixed-Income Securities	35,655		454			35		35,166
Foreign Agency Obligations	410		48	246	116			
External Investment Pools	71,091	71,091						
Total Before Securities Lending	3,460,620	2,731,027	96,236	27,866	23,875	83	294,551	286,982
<b>Reinvestment of Securities Lending Collateral:</b>								
Commercial Paper	58,089						58,089	
Repurchase Agreements	1,270,161							1,270,161
Asset-Backed Securities	71,650	71,650						
Corporate Obligations	446,677	274,168	78,503	94,006				
<b>Total</b>	<b>\$5,307,197</b>	<b>\$3,076,845</b>	<b>\$174,739</b>	<b>\$121,872</b>	<b>\$23,875</b>	<b>\$83</b>	<b>\$352,640</b>	<b>\$1,557,143</b>

\*Includes \$138.8 million of money market funds that are reported with cash and cash equivalents.

**Endowment Funds**  
**Credit Quality Ratings of Debt Investments at June 30, 2007**  
*(dollars in thousands)*

<b>Investment Type</b>	<b>Fair Value</b>	<b>S &amp; P Rating</b>
Lehman Aggregate Bond	\$269,304	AA
Northern Money Market Fund	11,050	A
<b>Total</b>	<b>\$280,354</b>	

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

**PERSI Credit Quality of Fixed-Income Securities at June 30, 2007**

(dollars in thousands)

S & P Rating Level	Fair Value	Investment Type	
		Domestic Securities	International Securities
Agency (A-1+)	\$649,437	\$649,437	
AAA	166,879	144,970	\$21,909
AA	91,505	91,505	
A	268,102	268,102	
BBB	131,172	131,172	
BB	26,620	26,620	
B	27,393	27,282	111
CCC	2,291	2,291	
CC	447	447	
C	7,220	7,220	
D	312	312	
Not Rated	316,619	308,803	7,816
<b>Total</b>	<b>\$1,687,997</b>	<b>\$1,658,161</b>	<b>\$29,836</b>

**Component Units Credit Quality Ratings of Debt Securities at June 30, 2007**

(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	Ba	B	Ccc-D	A1-P1	Unrated
Money Market Funds	\$165,047			\$221						\$164,826
Certificates of Deposit	235			35						200
U.S. Government Agency Obligations	158,465	\$153,614								4,875
Corporate Obligations	51,558	12,807	\$15,005	9,456	\$2,206	\$2,584	\$4,044	\$1,486	\$2,600	1,346
Preferred Securities	1,296	101	370	670	128					27
Municipal Obligations	3,554	2,282	25	1,084		41				122
Bond Mutual Funds	48,845		20,748	3			15			28,079
<b>Total</b>	<b>\$429,000</b>	<b>\$168,804</b>	<b>\$36,148</b>	<b>\$11,469</b>	<b>\$2,334</b>	<b>\$2,625</b>	<b>\$4,059</b>	<b>\$1,486</b>	<b>\$2,600</b>	<b>\$199,475</b>

**Concentration of Credit Risk**

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. GASB has adopted a principle that governments should provide note disclosure when 5 percent of the total government investments are concentrated in any one issuer. Investments in obligations explicitly guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. State statute places no limit on the amount that may be invested in any one issuer.

- The State, the Idaho Potato Commission, the Idle Pool, and the colleges and universities have not adopted a formal policy to address concentration of credit risk.

- The Idaho Housing and Finance Association places no limit on the amount the Association may invest in one issuer.
- The Idaho Life and Health Insurance Guaranty Association Investment Committee determines the appropriate diversification of the portfolio.
- The Idaho Individual High Risk Reinsurance Pool's policy provides that no more than 10 percent of the short-term fund balance may be invested in the securities of any one issuer. The policy exempts the following types of investments: obligations of the U.S. government or its agencies, repurchase agreements collateralized by obligations of the U.S. government or its agencies, federally insured certificates of deposit, mutual funds, and money market mutual funds.

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

**Primary Government Concentration of Credit Risk at June 30, 2007**

(dollars in thousands)

Portfolio	Issuer	Fair Value	Percent of Portfolio Investments
Idaho Potato Commission:	Federal Home Loan Bank	\$1,556	100.0
Idle Pool:	Federal National Mortgage Association	358,705	14.4
	Federal Home Loan Mortgage Corporation	292,026	11.7
	Lehman Brothers, Inc.	195,892	7.9
	Cantor Fitzgerald & Co.	166,065	6.7
	Greenwich Capital Markets, Inc.	128,082	5.1
Boise State University:	AEGON USA Investment Management, LLC	46,843	33.4

**Component Unit Concentration of Credit Risk at June 30, 2007**

(dollars in thousands)

Component Unit	Issuer	Fair Value	Percent of Portfolio Investments
Idaho Housing and Finance Association:	Citigroup Financial Group	\$180,022	31.1
	Pallas Capital Corporation	63,053	10.9
	Federal Home Loan Mortgage Corporation	38,105	6.6
	Federal Farm Credit Bank	28,820	5.0
Idaho Life and Health Insurance Guaranty Association:	Federal Home Loan Mortgage Corporation	4,562	54.5
	Federal National Mortgage Association	3,359	40.2
Health Reinsurance:	Federal Home Loan Bank	9,277	56.6
	Federal National Mortgage Association	3,122	19.1
	General Electric Credit Corporation	1,000	6.1

**Foreign Currency Denominated Investments**

Investments denominated in foreign currencies face a potential risk of loss in fair value from changes in currency exchange rates. The following describes the policies related to foreign currency risk for those state entities that have investments denominated in a foreign currency:

- The EFIB investment policy statement permits investing up to 20 percent of the EFIB total investments in international equities. No foreign fixed-income securities are permitted except currency.
- The Judges' Retirement fund investment policy permits investing up to 20 percent of the fund's total investments in international equities. No foreign fixed-income securities are permitted except currency.
- The PERSI investment policy provides individual manager guidelines, which outline at a minimum, a range of currency exposure. Each portfolio is monitored for currency exposure. Managers are required to report variances.
- The Lewis-Clark State College Foundation investment policy permits investments in equities denominated in foreign currencies. The policy limits the investments in international equities to no more than 15 percent of the foundation's total investment portfolio.
- The University of Idaho Foundation does not presently have a policy that addresses foreign currency risk.

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**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2007**


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**Endowment Funds Foreign Currency Risk at June 30, 2007***(dollars in thousands)*

<b>Currency</b>	<b>Investment Type</b>	<b>Fair Value in U.S. Dollars</b>
Australian Dollar	Common Stock	\$11,296
Canadian Dollar	Common Stock	1,064
Danish Krone	Common Stock	5,694
Euro	Common Stock	47,276
Hong Kong Dollar	Common Stock	5,681
Japanese Yen	Common Stock	31,642
Norwegian Krone	Common Stock	4,526
Singapore Dollar	Common Stock	4,075
South African Rand	Common Stock	3,022
South Korean Won	Common Stock	2,462
Swedish Krona	Common Stock	2,937
Swiss Franc	Common Stock	6,670
U.K. Pound	Common Stock	18,308
<b>Total</b>		<b>\$144,653</b>

**Judges' Retirement Fund Foreign Currency Risk at June 30, 2007***(dollars in thousands)*

<b>Currency</b>	<b>Investment Type</b>	<b>Fair Value in U.S. Dollars</b>
Australian Dollar	Equities	\$502
Canadian Dollar	Equities	92
Euro	Equities	1,856
Japanese Yen	Equities	2,160
South African Rand	Equities	302
U.K. Pound	Equities	942
<b>Total</b>		<b>\$5,854</b>

**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2007**

**PERSI Foreign Currency Risk at June 30, 2007**

(stated at fair value of U.S. dollars in thousands)

Currency	Investment Type			Fair Value of Currency in U.S. Dollars
	Short-Term Investments	Equities	Fixed Income	
Australian Dollar	(\$10,434)	\$87,465	\$6,949	\$83,980
Botswana Pula		129		129
Brazilian Real	150	73,673	1,783	75,606
British Pound Sterling	(52,997)	360,563	19,048	326,614
Canadian Dollar	13	46,229	554	46,796
Chilean Peso	157	3,067		3,224
Czech Koruna	9			9
Danish Krone	91	6,381		6,472
Egyptian Pound		13,721		13,721
Euro	(61,305)	816,189	6,566	761,450
Hong Kong Dollar	1,421	118,663		120,084
Hungarian Forint	124	15,420		15,544
Indonesian Rupian	11	37,871		37,882
Israeli Shekel	335	21,397		21,732
Japanese Yen	(57,531)	404,078		346,547
Malaysian Ringgit	52	12,862		12,914
Mexican New Peso	1,398	31,031	5,456	37,885
New Taiwan Dollar	4,205	94,416		98,621
New Turkish Lira	121	29,282		29,403
New Zealand Dollar	32	4,591		4,623
Norwegian Krone	27	11,895		11,922
Philippines Peso	82	8,319		8,401
Russian Ruble		1,663		1,663
South African Rand	(9)	82,532		82,523
Singapore Dollar	6,435	25,137		31,572
South Korean Won	(75)	221,459		221,384
Sri Lanka Rupee		225		225
Swedish Krona	133	24,905		25,038
Swiss Franc	(6,333)	119,082		112,749
Thailand Baht	197	49,733		49,930
Zimbabwe Dollar	5	247		252
<b>Total</b>	<b>(\$173,686)</b>	<b>\$2,722,225</b>	<b>\$40,356</b>	<b>\$2,588,895</b>

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

**College and University Foundation Foreign Currency Risk at June 30, 2007**  
(dollars in thousands)

<b>Currency</b>	<b>Investment Type</b>	<b>Fair Value in U.S. Dollars</b>
Australian Dollar	Equities	\$3,545
Brazilian Real	Equities	13
Canadian Dollar	Equities	48
Chinese Yuan	Equities	19
Danish Krone	Equities	22
Euro	Equities	4,632
Hong Kong Dollar	Equities	3,384
Indian Rupee	Equities	6
Israeli Shekel	Equities	17
Japanese Yen	Equities	4,001
Malaysian Ringgit	Equities	354
Mexican Peso	Equities	20
New Zealand Dollar	Equities	504
Norwegian Krone	Equities	10
Panamanian Balboa	Equities	5
Russian Ruble	Equities	9
Singapore Dollar	Equities	859
South Korean Won	Equities	11
Swedish Krona	Equities	406
Swiss Franc	Equities	697
U.K. Pound	Equities	10,742
<b>Total</b>		<b>\$29,304</b>

***Debt Investments with Terms That May Cause the Fair Value to Be Highly Sensitive To Interest Rate Changes***

*Mortgage-Backed Securities* have a return based on the cash flows from interest and principal payments on the underlying mortgages. As a result, they are sensitive to prepayments, which are likely to occur in declining interest rate environments. To the extent possible, this prepayment risk is reflected in the interest rate risk of the portfolios by using the weighted average method to calculate interest rate risk for long-term investments and the modified duration method used by EFIB and PERSI.

*Treasury Inflation Protected Securities (TIPS)* are fixed-income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. At June 30, 2007, the Endowment Funds had investments in TIPS with a fair value of \$28.6 million, and PERSI had investments in TIPS with a fair value of \$940.9 million.

At June 30, 2007, the STO Idle Pool portfolio included the following debt investments with terms that may cause their fair values to be highly sensitive to interest rate changes:

- One corporate obligation valued at \$5.0 million with a floating rate coupon that resets every quarter to the 3-month LIBOR plus 60 basis points
- One corporate obligation valued at \$5.0 million with a floating rate coupon that resets every quarter to the 3-month LIBOR plus 12.5 basis points
- One corporate step rate note valued at \$5.0 million with semi-annual increases of 20 basis points that is callable semi-annually
- One U.S. agency obligation step rate note valued at \$10.0 million with semi-annual increases of 50 basis points that is callable semi-annually
- One U.S. agency obligation valued at \$10.0 million that is callable quarterly

At June 30, 2007, the Local Government Investment Pool and Diversified Bond Fund had debt investments with terms that may cause the fair value to be sensitive to interest rate changes. See Note 3, External Investment Pools, for details.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2007

#### Securities Lending Agreements

Security lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. *Idaho Code*, Section 67-1210A, authorizes the STO to engage in securities lending agreements. The STO securities custodian manages the securities lending program. During the year, the custodian lent securities of the types shown in the table below for cash collateral. The investments are collateralized at no less than 102 percent of the fair value of securities lent. The securities lending agreement requires daily monitoring of the fair value of securities lent and collateral received with

additional collateral obtained as necessary to meet margin requirements. No restrictions exist on the amount of loans that can be made. Either the State or the borrower can cancel all securities lent upon demand. The cash collateral received is invested by the custodian and held in a separate account in the name of the STO. Cash is reinvested with terms approximately the same as the actual securities lent. The STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end, the Idle Pool had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed.

**Primary Government and Fiduciary Funds**  
**Balances of Securities Lending Transactions at June 30, 2007**  
*(dollars in thousands)*

<b>Securities Lent for Cash Collateral</b>	<b>Fair Value of Lent Securities</b>	<b>Cash Collateral Received for Lent Securities</b>
U.S. Treasury Obligations	\$150,482	\$154,434
U.S. Government Agency Obligations	1,495,640	1,530,471
Mortgage-Backed Securities	194,508	198,553
Corporate Debt Instruments	10,672	11,120
<b>Total</b>	<b>\$1,851,302</b>	<b>\$1,894,578</b>

The Idle Pool and internal participants' portions of the LGIP and DBF reinvestment of securities lending balances are reported in the General Fund. The reinvestment of securities lending balances attributable to LGIP and DBF external participants are reported in the investment trust funds. These amounts do not include EFIB securities lending balances.

The EFIB engages in securities lending agreements. The EFIB custodian, Northern Trust Company, lends U.S. government securities, U.S. agency obligations, and equities for collateral in the form of cash or other collateral worth at least 102 percent of the lent securities' fair value. At year-end the EFIB had no credit risk exposure to borrowers because the collateral exceeded the amounts borrowed. The securities loans can be terminated on demand by either the EFIB or the borrower. The EFIB is indemnified if the borrowers fail to return the securities or fail to pay the EFIB for income distributions by the securities issuers while the securities are on loan. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end had a weighted average maturity of 74 days. The maturities of loans are affected by the securities loans made by other entities that use the agent's pool. EFIB cannot pledge or sell collateral securities unless the borrower defaults.

#### Derivatives

Derivatives are financial obligations whose value is derived from underlying debt or equity securities, commodities, or currencies. Derivatives are designed, among other things, to help investors protect themselves against the risk of price changes.

The Idaho State Building Authority established a forward interest rate swap contract with Lehman Brothers Financial Products, Inc., on the 1998 Prison Project (1998 Series A Bonds). This forward interest rate contract can be terminated by the Authority at any time from origination on September 19, 2003, to the effective date of June 3, 2008. The contract can also be terminated after the effective date of June 3, 2008, to the expiration date of September 1, 2025. The Authority executed this forward interest rate contract to secure a 4.3 percent fixed interest rate for use in a specified proposed refunding provided that the savings ratio achieved is not less than 3 percent, regardless of whether

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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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or not the contract is terminated at or prior to its implementation date, no later than September 1, 2008. The Authority intends to terminate the forward interest rate contract any time before the termination date if the termination payment to be received by the Authority equals or exceeds two times the present value savings for the bonds for which such contract was executed. If the forward interest rate contract is not terminated earlier, the Authority's intention is to terminate such contract by the implementation date in order to preserve the present value savings and to avoid unnecessary basis risk to the Authority. The contract is in a liability position of \$1.8 million at June 30, 2007. The position is determined by the difference between a fixed 4.3 percent and 67 percent of the LIBOR rate at the first of the month (5.4 percent at June 30, 2007). The swap agreement is characterized as a derivative and is carried on the Statement of Net Assets as Other Accrued Liabilities at fair value with changes in that value recognized in earnings of the current period. The impact on Other Accrued Liabilities as of June 30, 2007, was an aggregate amount of \$0.2 million.

The EFIB periodically invests in forward and futures contracts representing agreements to buy or sell a specified amount of an underlying security at a given delivery or maturity date for an agreed-upon price. The EFIB use of these securities is limited to small positions in the EFIB international and domestic equity portfolios established primarily for hedging or passive rebalancing. At June 30, 2007, the EFIB held 149 ten-year treasury contracts with a fair value of \$15.7 million. The mark-to-market receivable as of that date was \$46,784, which was received on July 1, 2007.

PERSI permits a few selected managers to use derivatives. In every case, the type of derivatives used and limits on their use are defined in manager contracts and are monitored on an ongoing basis. At June 30, 2007, PERSI reported the following derivative and hedging activity:

- Futures contracts with a fair value of \$52,460, which is included in Fixed-Income Investments. Cash equivalents and short-term investments in amounts necessary to settle the futures contracts were held in the portfolio so that no leverage was employed. PERSI had the following net futures contracts exposure:
  - (a) Cash and cash equivalents (Euro) of \$45.8 million
  - (b) Cash and cash equivalents (Sterling) of \$4.9 million
  - (c) U.S. Treasury bond futures of \$4.2 million
  - (d) U.S. Treasury note futures of \$9.0 million
  - (e) Euro bond futures of \$5.5 million

- Option contracts give PERSI the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified time. Options strategies used by PERSI are designed to provide exposures to positive market moves and limit exposures to interest rate and currency fluctuations. At June 30, 2007, PERSI had option contracts payable with a fair value of \$176,616, which is included in the liabilities as Investments Purchased. At June 30, 2007, PERSI had the following option contracts exposure:

- (a) Cash and cash equivalents purchased call options of \$374,437
- (b) Cash and cash equivalents purchased put options of \$3,125
- (c) Cash and cash equivalents written call options of \$9,762
- (d) Cash and cash equivalents written put options of \$10,762
- (e) Fixed-income purchased call options of \$75,844
- (f) Fixed-income written call options of \$204,484
- (g) Fixed-income written put options of \$51,781

- PERSI has entered into forward foreign currency exchange contracts to purchase or sell currency at various dates in the future at a specific price. Some of PERSI's international and real estate investment managers use forward contracts to hedge the exposure of investments to fluctuations in foreign currency. PERSI and the investment managers have established controls to monitor the creditworthiness of the counterparties. As of June 30, 2007, PERSI had entered into forward currency contracts to sell foreign currencies with a fair value of \$1.1 billion and had entered into forward currency contracts to buy foreign currencies with a fair value of \$1.1 billion. Forward currency contracts are receivables or liabilities reported as Investments Sold or Investments Purchased.

The Idaho Housing and Finance Association established interest swap contracts with Lehman Brothers Derivative Products, Inc., on several single-family mortgage bond issues. The Association also issued variable rate debt in connection with the same bond issues. The swap agreements, when combined with the associated variable rate debt, create a synthetic fixed-rate debt obligation. The swap agreements are carried on the Statement of Net Assets in Other Accrued Liabilities at fair value, with changes in the value recognized in earnings of the current period. The impact on Other Accrued Liabilities as of June 30, 2007, was an aggregate amount of \$13.9 million.



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

**NOTE 3. EXTERNAL INVESTMENT POOLS**

**A. Overview of the External Investment Pools**

*Idaho Code*, Section 67-2328, authorizes the State Treasurer's Office (STO) to sponsor external investment pools, the Local Government Investment Pool (LGIP) and the Diversified Bond Fund (DBF). In order to earn a higher yield, Idaho governmental entities may voluntarily deposit moneys not immediately needed to meet operating obligations in these pools. The LGIP is a short-term investment pool. Participants have overnight availability to their funds, up to \$10.0 million. Withdrawals of more than \$10.0 million require three business days' notification. The weighted average maturity of investments in the LGIP at June 30, 2007, was 91 days. The LGIP distributes earnings monthly to the participants based on their average daily balance as a percentage of the total pool. The STO created the DBF for those state and public agencies able to exchange current liquidity for potentially greater returns over the long run (3.5 years or longer). Withdrawals of \$10.0 million or less of the total pool generally require five business days' notification before the end of the month. Withdrawals of more than \$10.0 million require 25 business days' notification before the end of the month. All withdrawals from the DBF occur on the first day of the month. The weighted average maturity of investments in the DBF at June 30, 2007, was 4.4 years.

The STO must operate and invest the funds of both pools for the benefit of the participants. The STO makes investments in accordance with *Idaho Code*, Sections 67-1210 and 67-1210A. The Pools are not registered with the Securities and Exchange Commission or any other regulatory body. On May 23, 2007, both pools were rated 'AAA' by Standard & Poor's Ratings Services. The STO does not provide any legally binding guarantees to support the value of shares to the participants. Each month the STO transfers funds to cover administrative costs associated with the specific pool to the STO operating fund. For fiscal year 2007 the DBF participants were granted a fee holiday and were not charged the STO's administrative fee.

The LGIP and DBF are reported as fiduciary-type investment trust funds. The Pools have not issued separate reports as external investment pools. The assets and liabilities in these notes will not agree to the amounts shown on the fiduciary fund financial statements because GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that only the external portion of investment pool assets be reported in the investment trust funds. The internal portion of pool assets is

reported in the appropriate individual fund or component unit.

Investments were valued through a quoted market price at June 30, 2007. The LGIP provides participants with a net asset valuation factor that enables them to convert their monthly statement balance to fair value. The DBF reports participants' balances at fair value on their monthly statements. The State uses the aggregate method to determine the increase/decrease in fair value of each pool.

The LGIP and DBF engage in securities lending transactions. A securities lending agent manages the securities lending program. During the year, the agent lent securities for cash collateral. The cash collateral can be pledged without borrower default. The investments are collateralized at no less than 102 percent of the market value and restated to fair value on a daily basis. No restrictions exist on the amount of loans that can be made. Either the State or the borrower can cancel all securities lending agreements upon demand. The cash collateral received is invested by the agent and held in a separate account in the name of the STO. Cash is only reinvested in instruments with terms similar to the actual securities lent. The STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end the STO had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. At year-end no custodial credit risk existed because the securities were held by the State's agent and not by the counterparty.

The Pools disclose certain risks that may be associated with their deposits and investments. Disclosures are made under each individual pool for the following required risk disclosures:

*Credit risk associated with investments* is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation. Obligations explicitly guaranteed by the U.S. government are not considered to have credit risk. The Pools do not have a formally adopted policy to address credit risk associated with investments.

*Concentration of credit risk* results when investments are concentrated in one issuer and represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. GASB has adopted a principle that

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

when governments invest discretely on behalf of their various funds, such as the LGIP or DBF, they should disclose the amount and percentage when 5 percent of the total fund investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The Pools do not have a formally adopted policy to address the amount that may be invested with any one issuer.

*Interest rate risk* occurs when investments are fixed for longer periods. Obligations explicitly guaranteed

by the U.S. government are not considered to have interest rate risk. The Pools do not have a formally adopted policy to address interest rate risk.

*Debt investments with terms that may cause the fair value to be highly sensitive to interest rate changes* are likely to experience greater variability in their fair values due to the embedded terms. The Pools do not have a formally adopted policy to address terms that may cause the fair value of investments to be highly sensitive to interest rate risks.

**B. Local Government Investment Pool**

**Local Government Investment Pool  
Condensed Statement of Net Assets  
June 30, 2007  
(amounts in thousands)**

<b>Assets</b>	
Investments, at Fair Value	\$1,217,245
Interest Receivable to the Pool	5,789
Reinvestment of Securities Lending Collateral	689,820
Securities Lending Income Receivable	71
<b>Total Assets</b>	<b>1,912,925</b>
<b>Liabilities</b>	
Distributions Payable	5,342
Administrative Fees Payable	46
Obligations Under Securities Lending	689,820
<b>Total Liabilities</b>	<b>695,208</b>
<b>Net Assets Held in Trust for Pool Participants</b>	<b>\$1,217,717</b>
<b>Net Assets Consist of:</b>	
Net Assets Held in Trust for External Participants (\$1.00 par)	\$1,148,574
Net Assets Held in Trust for Internal Participants (\$1.00 par)	69,143
<b>Net Assets Held in Trust for Pool Participants</b>	<b>\$1,217,717</b>
<b>Total Participant Units Outstanding (\$1.00 par)</b>	<b>1,216,182</b>
Participant Net Asset Value, Offering Price and Redemption Price Per Share (\$1,217,717 divided by 1,216,182 units)	<b>\$1.00</b>

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2007

#### Local Government Investment Pool

##### Condensed Statement of Operations and Changes in Net Assets

##### For the Fiscal Year Ended June 30, 2007

(dollars in thousands)

<b>Investment Income</b>	
Interest Income	\$45,694
Securities Lending Income	793
Net Increase (Decrease) in Fair Value of Investments	11,894
<b>Total Investment Income</b>	<b>58,381</b>
<b>Expense</b>	
Administrative Fees	(550)
<b>Total Investment Expense</b>	<b>(550)</b>
<b>Net Investment Income</b>	<b>57,831</b>
<b>Distributions to Participants</b>	
Distributions Paid and Payable	(55,536)
<b>Share Transactions at Net Asset Value of \$1.00 per Share</b>	
Pooled Participant Deposits	\$2,618,402
Pooled Participant Withdrawals	(2,394,499)
Net Increase (Decrease) in Net Assets and Shares Resulting From	
Share Transactions	223,903
Total Increase (Decrease) in Net Assets	226,198
<b>Net Assets Held in Trust for Pool Participants</b>	
Beginning of Period	991,519
<b>End of Period</b>	<b>\$1,217,717</b>

#### Local Government Investment Pool

##### Summary of Fair Value and Interest Rate Risk at June 30, 2007

(dollars in thousands)

Investment Type	Fair Value	Interest Rates	Investment Maturities	
			In Years	
			Less than 1	1-5
Commercial Paper	\$147,519	5.400%-5.480%	\$147,519	
Corporate Debt Instruments	48,477	3.980%-4.900%	24,819	\$23,658
U.S. Treasury Obligations	54,618	4.810%-4.880%	54,618	
U.S. Government Agency Obligations	683,174	3.200%-5.500%	628,495	54,679
Money Market Mutual Fund	283,457	5.230%-5.480%	283,457	
Total Securities	1,217,245		1,138,908	78,337
Accrued Interest	5,789		5,783	6
Reinvestment of Securities Lending Collateral:				
Commercial Paper	58,089	5.309%-5.311%	58,089	
Repurchase Agreements	408,640	5.400%-5.445%	408,640	
Corporate Debt Instruments	163,085	5.376%-5.526%	91,041	72,044
Asset-Backed Securities*	60,006	5.370%-5.460%		60,006
Securities Lending Income Receivable	71		71	
<b>Total Assets</b>	<b>\$1,912,925</b>		<b>\$1,702,532</b>	<b>\$210,393</b>

\*These securities are reported using weighted-average maturity to more accurately reflect the projected term of the security, considering interest rates and repayment terms.

**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2007**

**Local Government Investment Pool**  
**Change in Fair Value For the Fiscal Year Ended June 30, 2007**  
*(dollars in thousands)*

Fair Value of Investments at June 30, 2007	\$1,223,034
Add: Proceeds of Investments Sold in FY2007	31,062,444
Subtract: Cost of Investments Purchased in FY2007	(31,278,379)
Subtract: Fair Value at June 30, 2006	(995,205)
<b>Change in Fair Value of Investments During FY2007</b>	<b>\$11,894</b>

**Local Government Investment Pool**  
**Concentration of Credit Risk at June 30, 2007**  
*(dollars in thousands)*

<b>Issuer</b>	<b>Fair Value</b>	<b>Percent of Total LGIP Investments</b>
American Beacon	\$257,099	13.44
Federal Home Loan Bank	255,359	13.35
Federal Home Loan Mortgage Corporation	180,360	9.43
Federal National Mortgage Association	177,466	9.28
Lehman Brothers, Inc.	108,058	5.65

**Local Government Investment Pool**  
**Credit Quality Ratings of Debt Securities at June 30, 2007**  
*(dollars in thousands)*

<b>Investment Type</b>	<b>Fair Value</b>	<b>Aaa</b>	<b>Aa</b>	<b>A</b>	<b>Baa</b>	<b>A-1</b>	<b>Unrated</b>
Commercial Paper	\$147,519					\$147,519	
Corporate Debt Instruments	48,477	\$24,819			\$23,658		
U.S. Government Agency Obligations	683,174	683,174					
Money Market Mutual Funds	283,457	257,099					\$26,358
Reinvestment of Securities Lending Collateral:							
Commercial Paper	58,089					58,089	
Corporate Debt Instruments	163,085	92,056	\$39,022	\$32,007			
Asset-Backed Securities	60,006	60,006					
Repurchase Agreements	408,640						408,640
<b>Total Rated Investments</b>	<b>\$1,852,447</b>	<b>\$1,117,154</b>	<b>\$39,022</b>	<b>\$32,007</b>	<b>\$23,658</b>	<b>\$205,608</b>	<b>\$434,998</b>

Moody's or equivalent credit quality ratings have been used, except for commercial paper, which was rated A-1 by Standard & Poor's.

**Local Government Investment Pool**  
**Balances of Securities Lending Transactions at June 30, 2007**  
*(dollars in thousands)*

<b>Securities Lent for Cash Collateral</b>	<b>Fair Value of Lent Securities</b>	<b>Cash Collateral Received for Lent Securities</b>
U.S. Treasury Obligations	\$54,618	\$55,670
U.S. Government Agency Obligations	618,145	634,027
<b>Totals</b>	<b>\$672,763</b>	<b>\$689,697</b>

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

At June 30, 2007, the LGIP portfolio included the following debt investments with terms that may cause their fair values to be highly sensitive to interest rate changes:

- One corporate instrument valued at \$10.0 million with a floating rate coupon that resets quarterly to the three-month U.S. Treasury Bill rate plus 60 basis points; it is capped at 4.8 percent
- One corporate instrument valued at \$9.9 million with a floating rate coupon that resets quarterly to the three-month U.S. Treasury Bill rate plus 60 basis points; it is capped at 4.5 percent
- One corporate instrument valued at \$23.7 million with a floating rate coupon that resets monthly to a

calculation based on the current and prior 12 month's Consumer Price Index plus 120 basis points; the floor is zero percent

- One corporate instrument valued at \$5.0 million with a coupon that steps 20 basis points semi-annually and a call option
- Two U.S. Agency obligations with an aggregate value of \$26.0 million with call options
- One U.S. Agency obligation valued at \$19.9 million with a coupon that steps varying basis points annually and a call option

**C. Diversified Bond Fund**

**Diversified Bond Fund  
Condensed Statement of Net Assets  
June 30, 2007  
(amounts in thousands)**

<b>Assets</b>	
Investments, at Fair Value	\$377,974
Interest Receivable to the Pool	2,727
Reinvestment of Securities Lending Collateral	233,861
Securities Lending Income Receivable	25
<b>Total Assets</b>	<b>614,587</b>
<b>Liabilities</b>	
Distributions Payable	1,706
Administrative Fees Payable	7
Obligations Under Securities Lending	233,861
<b>Total Liabilities</b>	<b>235,574</b>
<b>Net Assets Held in Trust for Pool Participants</b>	<b>\$379,013</b>
<b>Net Assets Consist of:</b>	
Net Assets Held in Trust for External Participants (\$1.00 par)	\$98,140
Net Assets Held in Trust for Internal Participants (\$1.00 par)	280,873
<b>Net Assets Held in Trust for Pool Participants</b>	<b>\$379,013</b>
<b>Total Participant Units Outstanding (\$1.00 par)</b>	<b>387,990</b>
Participant Net Asset Value, Offering Price and Redemption Price Per Share (\$379,013 divided by 387,990 units)	<b>\$0.98</b>

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2007

### Diversified Bond Fund

#### Condensed Statement of Operations and Changes in Net Assets

#### For the Fiscal Year Ended June 30, 2007

(dollars in thousands)

<b>Investment Income</b>	
Interest Income	\$17,827
Securities Lending Income	293
Net Increase (Decrease) in Fair Value of Investments	3,770
<b>Total Investment Income</b>	<u>21,890</u>
<b>Expense</b>	
Administrative Fees	(783)
<b>Total Investment Expense</b>	<u>(783)</u>
<b>Net Investment Income</b>	21,107
<b>Distributions to Participants</b>	
Distributions Paid and Payable	(17,660)
<b>Share Transactions at Net Asset Value of \$1.00 per Share</b>	
Pooled Participant Deposits	\$47,581
Pooled Participant Withdrawals	(18,361)
Net Increase (Decrease) in Net Assets and Shares Resulting From Share Transactions	29,220
<b>Total Increase (Decrease) in Net Assets</b>	<u>32,667</u>
<b>Net Assets Held in Trust for Pool Participants</b>	
Beginning of Period	346,346
<b>End of Period</b>	<u><b>\$379,013</b></u>

Eliminations have not been made to compensate for the effect of intra-pool transactions through the money market account for deposits, withdrawals, interest received, purchases, sales, and reinvestments.

### Diversified Bond Fund

#### Summary of Fair Value at June 30, 2007

(dollars in thousands)

Investment Type	Fair Value	Interest Rates	Investment Maturities		
			In Years		
			Less than 1	1-5	6-10
Corporate Debt Instruments	\$49,028	4.375%-6.375%	\$14,497	\$24,755	\$9,776
U.S. Treasury Obligations	47,736	3.250%-6.500%	1,996	36,594	9,146
Asset-Backed Student Loans*	7,858	3.390%	7,858		
U.S. Government Agency Obligations	67,859	2.830%-6.000%	12,268	41,793	13,798
Mortgage-Backed Securities*	179,473	3.500%-7.000%		80,579	98,894
Commercial Mortgage-Backed Securities*	13,547	5.197%-6.590%		2,854	10,693
Money Market Mutual Fund	12,473	5.000%	12,473		
<b>Total Securities</b>	<u>377,974</u>		<u>49,092</u>	<u>186,575</u>	<u>142,307</u>
Accrued Interest	2,727		296	1,614	817
Reinvestment of Securities Lending Collateral:					
Corporate Debt Instruments	55,033	5.340%-5.529%	17,667	37,366	
Asset-Backed Securities*	11,644	5.370%-5.460%		11,644	
Repurchase Agreements	167,184	5.400%-5.445%	167,184		
Securities Lending Income Receivable	25		25		
<b>Total Assets</b>	<u><b>\$614,587</b></u>		<u><b>\$234,264</b></u>	<u><b>\$237,199</b></u>	<u><b>\$143,124</b></u>

\*These securities are reported using weighted-average maturity to more accurately reflect the projected term of the security, considering interest rates and repayment terms.

**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2007**

**Diversified Bond Fund**  
**Change in Fair Value For the Fiscal Year Ended June 30, 2007**  
*(dollars in thousands)*

Fair Value of Investments at June 30, 2007	\$380,702
Add: Proceeds of Investments Sold in FY2007*	131,602
Subtract: Cost of Investments Purchased in FY2007*	(160,835)
Subtract: Fair Value at June 30, 2006	(347,699)
<b>Change in Fair Value of Investments During FY2007</b>	<b>\$3,770</b>

\*Eliminations have not been made to compensate for the effect of intra-pool transactions through the money market account for deposits, withdrawals, interest received, purchases, sales, and reinvestments.

**Diversified Bond Fund**  
**Concentration of Credit Risk at June 30, 2007**  
*(dollars in thousands)*

<b>Issuer</b>	<b>Fair Value</b>	<b>Percent of Total DBF Investments</b>
Cantor Fitzgerald & Co.	\$39,985	6.51
Federal Home Loan Bank	45,438	7.39
Federal Home Loan Mortgage Corporation	64,371	10.47
Federal National Mortgage Association	120,851	19.66
Greenwich Capital Markets, Inc.	30,840	5.02
Lehman Brothers, Inc.	47,167	7.67

**Diversified Bond Fund**  
**Credit Quality Ratings of Debt Securities at June 30, 2007**  
*(dollars in thousands)*

<b>Investment Type</b>	<b>Fair Value</b>	<b>Aaa</b>	<b>Aa</b>	<b>A</b>	<b>Unrated</b>
Corporate Debt Instruments	\$49,028	\$13,393	\$26,813	\$8,822	
Asset-Backed Student Loans	7,858	7,858			
U.S. Government Agency Obligations	67,859	67,859			
Mortgage-Backed Securities	179,473	179,473			
Commercial Mortgage-Backed Securities	13,547	13,547			
Money Market Mutual Fund	12,473				\$12,473
Reinvestment of Securities Lending Collateral:					
Corporate Debt Instruments	55,033	35,340	7,662	12,031	
Asset-Backed Securities	11,644	11,644			
Repurchase Agreements	167,184				167,184
<b>Total Rated Investments</b>	<b>\$564,099</b>	<b>\$329,114</b>	<b>\$34,475</b>	<b>\$20,853</b>	<b>\$179,657</b>

Moody's or the equivalent credit quality ratings have been used.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2007

#### Diversified Bond Fund

##### Balances of Securities Lending Transactions at June 30, 2007

(dollars in thousands)

Securities Lent for Cash Collateral	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
Corporate Debt Instruments	\$1,303	\$1,347
U.S. Treasury Obligations	47,721	49,195
Mortgage-Backed Securities	130,147	132,855
U.S. Government Agency Obligations	49,086	50,418
<b>Totals</b>	<b>\$228,257</b>	<b>\$233,815</b>

At June 30, 2007, the DBF portfolio included the following debt investments with terms that may cause their fair values to be highly sensitive to interest rate changes:

- One agency instrument valued at \$10.0 million that is callable quarterly and has a floating rate coupon that resets quarterly to the three-month LIBOR rate plus basis points
- One agency instrument valued at \$7.0 million that is callable quarterly and has a floating rate coupon that resets annually at plus 50 basis points until the maximum coupon rate reaches 6.0 percent

## NOTE 4. INTERFUND BALANCES AND TRANSFERS

### A. Interfund Balances

Interfund balances at June 30, 2007, consist of the following receivables and payables (dollars in thousands):

		Interfund Receivables						
	General Fund	Health and Welfare	Nonmajor Governmental	College and University	Unemployment Compensation	Nonmajor Enterprise	Internal Service	Fiduciary
								Total
General Fund				\$696			\$111	\$807
Health and Welfare			\$127	1,057		\$36	799	2,019
Transportation			76			157		233
Nonmajor Governmental	\$538	\$12	2,453	1,146	\$119	6	22	4,296
College and University	5,036					237	39	5,312
Nonmajor Enterprise	335							335
Internal Service			6					6
Fiduciary								\$1,705
<b>Total</b>	<b>\$5,909</b>	<b>\$12</b>	<b>\$2,662</b>	<b>\$2,899</b>	<b>\$119</b>	<b>\$436</b>	<b>\$971</b>	<b>\$14,713</b>

Interfund receivables and payables generally consist of short-term receivables and payables for goods and services provided by one individual fund within the State to another. Most balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The receivables not expected to be collected within one year include \$0.3 million advanced by the General Fund to nonmajor special revenue funds and \$2.2 million advanced by nonmajor special revenue funds to other nonmajor special revenue funds.



## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2007

#### B. Interfund Transfers

Interfund transfers for the year ended June 30, 2007, were as follows (*dollars in thousands*):

		Transfers In							Total
		General Fund	Health and Welfare	Public School Endowment	Pooled Endowment	Nonmajor Governmental	College and University	Loan	
Transfers Out	General Fund		\$489,117			\$17,872	\$278,808	\$5,300	\$792,364
	Health and Welfare					142			142
	Transportation					16,608			16,608
	Public School Endowment	\$24,648							24,648
	Pooled Endowment	3,592					7,605		11,197
	Nonmajor Governmental	70,855	3,628	\$5,429	\$2,029	41	100	1,200	83,282
	College and University	6							6
	Unemployment Compensation					10,645			10,645
	Loan	22,071							22,071
	Nonmajor Enterprise	44,742	1,850						46,592
<b>Total</b>		<b>\$165,914</b>	<b>\$494,595</b>	<b>\$5,429</b>	<b>\$2,029</b>	<b>\$45,308</b>	<b>\$286,513</b>	<b>\$6,500</b>	<b>\$1,007,555</b>

Interfund transfers are primarily performed for two reasons:

- 1) Taxes, fees, penalties, earnings, and other revenues are transferred from the agencies that initially collect them (such as the Tax Commission) to the General Fund and other funds as dictated by state law.
- 2) Revenues are transferred from the fund that is statutorily required to collect them to the fund that is directed, by budgetary authorization, to spend them.

During fiscal year 2007 the following nonroutine statutory transfers were made:

- \$22.1 million to the General Fund from the Loan fund for repayment of the short-term loan provided to purchase water rights
- \$5.3 million to the Loan fund from the General Fund to permanently retire water rights within the Eastern Snake Plain Aquifer Conservation Reserve Enhancement Program area
- \$4.9 million to the General Fund from a nonmajor special revenue fund for the Center for Advanced Energy Studies

#### NOTE 5. NONCURRENT RECEIVABLES

##### Primary Government

Loans and notes receivable in the Transportation fund consist of long-term receivables from the sale of capital assets in the amount of \$0.5 million, of which \$0.4 million is not expected to be collected within one year.

Loans and notes receivable in the nonmajor special revenue funds consist of long-term receivables for energy and soil conservation projects and for the construction of an irradiation facility in the amount of \$11.1 million. The amount not expected to be collected within one year is \$9.1 million. Accounts receivable not expected to be collected within one year in the nonmajor special revenue funds includes \$1.1 million, net of allowance for doubtful accounts of \$1.0 million. These

amounts are related to compliance penalties and restitution to crime victims who have suffered an economic loss.

Loans and notes receivable in the Loan fund consist of long-term receivables for water project development, drinking water system improvements, and wastewater facility enhancements in the amount of \$171.3 million, of which \$164.4 million is not expected to be collected within one year.

Loans and notes receivable in the College and University fund in the amount of \$24.7 million, net of allowance for doubtful accounts of \$1.6 million, consist mainly of student loans. The amount not expected to be collected within one year is \$20.2 million.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2007

Noncurrent interfund receivables are discussed in Note 4.

#### Component Units

Loans, notes, and pledges receivable for the component units in the amount of \$1.2 billion consist mainly of long-term receivables from the sale of mortgages by the

Idaho Housing and Finance Association, loans to municipalities by the Bond Bank Authority, and pledges to the College and University Foundations. The amount not expected to be collected within one year is \$1.0 billion.

## NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows (*dollars in thousands*):

<b>Primary Government</b>	<b>Balances at</b>			<b>Balances at</b>
<b>Governmental Activities:</b>	<b>July 1, 2006</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2007</b>
<b>Capital Assets not Being Depreciated:</b>				
Land	\$920,053	\$25,449	(\$10,431)	\$935,071
Construction in Progress	649,558	270,252	(90,979)	828,831
Infrastructure	1,829,168	25,172		1,854,340
Historical Art and Collections	123			123
<b>Total Capital Assets not Being Depreciated</b>	<b>3,398,902</b>	<b>320,873</b>	<b>(101,410)</b>	<b>3,618,365</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Improvements	613,102	24,754	(19,610)	618,246
Improvements Other Than Buildings	43,395	3,763	(297)	46,861
Machinery, Equipment, and Other	317,224	39,667	(27,128)	329,763
Infrastructure	607,793	15,127	(6,844)	616,076
<b>Total Capital Assets Being Depreciated</b>	<b>1,581,514</b>	<b>83,311</b>	<b>(53,879)</b>	<b>1,610,946</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(225,061)	(14,088)	4,040	(235,109)
Improvements Other Than Buildings	(12,557)	(2,098)	12	(14,643)
Machinery, Equipment, and Other	(198,426)	(24,474)	15,273	(207,627)
Infrastructure	(142,395)	(9,103)	919	(150,579)
<b>Total Accumulated Depreciation</b>	<b>(578,439)</b>	<b>(49,763)</b>	<b>20,244</b>	<b>(607,958)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>1,003,075</b>	<b>33,548</b>	<b>(33,635)</b>	<b>1,002,988</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$4,401,977</b>	<b>\$354,421</b>	<b>(\$135,045)</b>	<b>\$4,621,353</b>

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2007

	Balances at July 1, 2006	Increases	Decreases	Balances at June 30, 2007
<b>Business-Type Activities:</b>				
<b>Capital Assets not Being Depreciated:</b>				
Land	\$53,927	\$12,832	(\$3,559)	\$63,200
Construction in Progress	45,287	43,312	(16,090)	72,509
Historical Art and Collections	2,123	68	(91)	2,100
Intangible Assets	24,382			24,382
<b>Total Capital Assets not Being Depreciated</b>	<b>125,719</b>	<b>56,212</b>	<b>(19,740)</b>	<b>162,191</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Improvements	834,652	50,852	(243)	885,261
Improvements Other Than Buildings	44,780	791		45,571
Machinery, Equipment, and Other	300,113	28,313	(17,050)	311,376
<b>Total Capital Assets Being Depreciated</b>	<b>1,179,545</b>	<b>79,956</b>	<b>(17,293)</b>	<b>1,242,208</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(280,936)	(21,817)	75	(302,678)
Improvements Other Than Buildings	(21,917)	(1,798)		(23,715)
Machinery, Equipment, and Other	(216,088)	(21,215)	15,723	(221,580)
<b>Total Accumulated Depreciation</b>	<b>(518,941)</b>	<b>(44,830)</b>	<b>15,798</b>	<b>(547,973)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>660,604</b>	<b>35,126</b>	<b>(1,495)</b>	<b>694,235</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$786,323</b>	<b>\$91,338</b>	<b>(\$21,235)</b>	<b>\$856,426</b>

Depreciation expense was charged to functions of the primary government as follows (*dollars in thousands*):

<b>Governmental Activities:</b>	
General Government	\$8,510
Public Safety and Correction	6,397
Health and Human Services	2,315
Education	1,894
Economic Development	22,014
Natural Resources	7,273
In addition, depreciation on capital assets held by the State's internal service funds is charged to the various functions based on their usage of the assets	1,360
<b>Total Depreciation Expense for Governmental Activities</b>	<b>\$49,763</b>
<b>Business-Type Activities:</b>	
College and University	\$44,140
Loan	138
Nonmajor Enterprise	552
<b>Total Depreciation Expense for Business-Type Activities</b>	<b>\$44,830</b>

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2007

Component Units (dollars in thousands)	Balances at July 1, 2006	Increases	Decreases	Balances at June 30, 2007
<b>Capital Assets not Being Depreciated:</b>				
Land	\$20,718	\$932	(\$16,334)	\$5,316
<b>Total Capital Assets not Being Depreciated</b>	<u>20,718</u>	<u>932</u>	<u>(16,334)</u>	<u>5,316</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Other Improvements	21,850	38	(10,134)	11,754
Improvements Other than Buildings	290			290
Machinery, Equipment, and Other	3,363	208	(506)	3,065
<b>Total Capital Assets Being Depreciated</b>	<u>25,503</u>	<u>246</u>	<u>(10,640)</u>	<u>15,109</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Other Improvements	(6,025)	(465)	1,893	(4,597)
Improvements Other than Buildings	(218)	(19)		(237)
Machinery, Equipment, and Other	(3,135)	(261)	506	(2,890)
<b>Total Accumulated Depreciation</b>	<u>(9,378)</u>	<u>(745)</u>	<u>2,399</u>	<u>(7,724)</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>16,125</u>	<u>(499)</u>	<u>(8,241)</u>	<u>7,385</u>
<b>Component Unit Activities Capital Assets, Net</b>	<u><b>\$36,843</b></u>	<u><b>\$433</b></u>	<u><b>(\$24,575)</b></u>	<u><b>\$12,701</b></u>

## NOTE 7. RETIREMENT PLANS

### A. Summary of Public Employee Retirement System of Idaho Plans

The Public Employee Retirement System of Idaho (PERSI) administers the Public Employee Retirement System Base Plan (PERSI Base Plan), the Firefighters' Retirement Fund (FRF), and the defined contribution retirement plans. A retirement board appointed by the Governor and confirmed by the State Senate manages PERSI, which includes selecting the funding agents and establishing funding policy. PERSI issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employee Retirement System of Idaho, P.O. Box 83720, Boise, ID 83720-0078.

#### 1. Public Employee Retirement System Base Plan

##### Plan Description

##### Organization and Purpose

The PERSI Base Plan is a cost-sharing, multiple-employer defined benefit retirement plan. The Base Plan is governed by *Idaho Code*, Sections 59-1301 through 59-1399.

##### Membership

State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the PERSI Base Plan. Participation is mandatory for state employees who normally work 20 or more hours a week for five or more consecutive months. As of June 30, 2007, the number of participating employer units is 701 and actual benefit recipients and members are as follows:

Retirees and Beneficiaries	29,866
Vested Terminated Employees	9,670
Current Active Employees	<u>66,374</u>
Total	<u>105,910</u>

##### Benefits

The benefit structure is based on each member's years of service, age, and highest average salary. In addition, benefits are provided for disability or death and to survivors of eligible members or beneficiaries. Members are eligible for retirement benefits upon attainment of the age specified for their employment classification or a combination of age plus service. The annual service retirement allowance for each month of credited service is 2 percent (2.3 percent for police) of the average monthly salary for the highest consecutive 42 months. The benefit payments are calculated using a benefit formula adopted by the Idaho Legislature. The PERSI

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2007

Base Plan is required to provide a 1 percent minimum cost of living increase per year provided the Consumer Price Index increases 1 percent or more. The PERSI Retirement Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6 percent, whichever is less; however, any amount above the 1 percent minimum is subject to approval by the Legislature.

### Summary of Significant Accounting Policies

The PERSI Base Plan's basic financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as additions to net assets when due and receivable; investment income is recognized when earned; and benefit payments, refunds, and other expenses are recorded when the benefits are due and payable in accordance with the Plan's terms.

Investments are presented at fair value. Purchases and sales are recorded at the trade date. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments of matching duration. The fair value of longer-term real estate investments has been estimated based on PERSI's consultant assessments and/or independent appraisals. Short-term investments are reported at market value when published market prices and quotations are available or at cost plus accrued interest, which approximates market value. Investments held by the PERSI Base Plan and the FRF are commingled.

### Funding Policy

#### Contributions and Vesting

Funding policy for the PERSI Base Plan is determined by the Board as defined by Idaho law. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period permitted under *Idaho Code*, Section 59-1322, is

25 years. The payroll for covered employees was approximately \$2.4 billion.

Employer contributions required and paid were \$236.1 million, \$250.8 million, and \$259.5 million for the years ended June 30, 2005, 2006, and 2007, respectively. The State participates as an employer in the PERSI Base Plan. State contributions required and paid were \$76.2 million, \$83.1 million, and \$83.1 million, for the years ended June 30, 2005, 2006, and 2007, respectively.

Actuarial valuations are performed annually. The last valuation was performed as of July 1, 2007. Normal cost is 14.56 percent of covered payroll and the amount available to amortize the unfunded actuarial liability is 4.79 percent of covered payroll.

The contribution rates for the year ended June 30, 2007, were as follows:

Employee Group	Employer	Employee
General	10.39%	6.23%
Police and Fire	10.73%	7.65%

After five years of credited service (five months for elected or appointed officials) members become fully vested in retirement benefits earned to date. Upon termination of employment accumulated member contributions plus interest accrued at 11.69 percent January 1 through June 30, 2007; and 10.24 percent July 1 to December 31, 2006; compounded monthly per annum, are refundable. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

Although enrollees in the College and University Optional Retirement Plan (ORP) no longer belong to PERSI, Eastern Idaho Technical College is required to contribute to the PERSI Base Plan through July 1, 2011, and the colleges and universities are required to contribute through July 1, 2025. The contribution rates for the year ended June 30, 2007, were 3.03 percent for colleges and universities, and 3.83 percent for junior colleges. The contribution rate will change as of July 1, 2007, to 1.49 percent for the colleges and universities.

#### Funding

Contributions from members and employers, in addition to earnings from investments, fund the PERSI Base Plan benefits. Member and employer contributions are a percentage of applicable member compensation. As defined by state law, member contribution rates are a percentage of the employer contribution rate. Employer

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## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2007

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contribution rates are recommended by periodic actuarial valuations and are subject to the approval of the PERSI Retirement Board and limitations set forth in state statute. Valuations are based on actuarial assumptions, the benefit formulas, and employee groups of the PERSI. Costs of administering the plans are financed through the contributions and investment earnings of the system.

### 2. Firefighters' Retirement Fund

#### *Plan Description*

The FRF is a cost-sharing, multiple-employer, defined benefit retirement plan. The FRF is governed by *Idaho Code*, Sections 72-1401 through 72-1472. The FRF is administered by the PERSI, which is part of the primary government. However, the State does not employ firefighters participating in the FRF; therefore, no employer costs are disclosed. As of June 30, 2007, 22 employer units, all consisting of local fire departments, were participating in the FRF. The significant accounting policies are the same as detailed for the PERSI Base Plan. Complete FRF disclosures may be found in the PERSI financial statements.

### 3. Defined Contribution Retirement Plans

#### *Plan Description*

##### *Organization and Purpose*

The defined contribution retirement plans include the 401(k) and the 414(k). The plans are governed by *Idaho Code*, Sections 59-1301 through 59-1399. The 414(k) plan was established for gain sharing allocations from the PERSI Base Plan. The gain-sharing amount (if any) is based on funding levels in the PERSI Base Plan.

##### *Membership*

The 401(k) plan is open to all active PERSI Base Plan members and was established February 1, 2001. Eligibility for the 414(k) gain sharing requires twelve months of active PERSI membership as defined in Idaho statutes and PERSI rules. On February 1, 2001, all eligible PERSI Base Plan members who were active as of June 30, 2000, and eligible to receive gain sharing contributions, received an allocation. The plans have 701 employer units eligible to have participating employees. As of June 30, 2007, the plans have 46,719 participating employees.

#### *Summary of Significant Accounting Policies*

The assets of the 401(k) and the 414(k) plans are commingled for investment and recordkeeping purposes. The other significant accounting policies are the same as the PERSI Base Plan.

### *Funding Policy*

#### *Contributions*

Beginning in January 2002 employees in the 401(k) plan could make tax-deferred contributions up to 100 percent of their gross salary less deductions and subject to the IRS annual contribution limit. Participants direct their investment mix without restriction and may elect to change their salary deferral. On May 1, 2001, the 401(k) plan became open to voluntary employer matching contributions at rates determined by the employers. Employers and participants in the plans contributed \$0.2 million and \$29.7 million, respectively, during the fiscal year ended June 30, 2007.

#### *Funding*

PERSI entered into a contract with ACS HR Solutions for plan services. The eleven investment options are mutual or collective funds and include the PERSI Total Return Fund, seven equity funds, two fixed income funds, and a stable value fund. Participants may allocate their assets in 1 percent increments among these options; however, if no allocation preference is indicated, a default investment election to the PERSI Total Return Fund is made. The administrative expenses of the plans are paid to ACS and funded by the PERSI Base Plan.

### B. Other State-Sponsored Retirement Plans

#### 1. Judges' Retirement Fund

##### *Plan Description*

##### *Organization and Purpose*

The Judges' Retirement Fund (JRF) is a single-employer defined benefit retirement plan, which provides retirement benefits for Idaho Supreme Court justices, court of appeals judges, and district court judges, hereinafter referred to as "members." The Judicial Department, under the direction of the Idaho Supreme Court, administers the JRF. The JRF is guided by *Idaho Code*, Sections 68-501 through 68-514; and *Idaho Code*, Title 1, Chapter 20; and is empowered in its sole discretion to limit, control, and designate the types and amounts of investments.

The JRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Idaho Supreme Court, P.O. Box 83720, Boise, ID 83720-0101.

##### *Membership*

As of June 30, 2007, the JRF has 65 retired members or beneficiaries collecting benefits, 8 terminated members entitled to but not yet receiving benefits, and 51 active members.

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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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*Benefits*

The benefit structure is based on each member's years of service and compensation. In addition, benefits are provided for disability or death and to survivors of eligible members. The benefit payments for the JRF are calculated using a benefit formula adopted by the Idaho Legislature, effective July 1, 2000. Members serving prior to, but not on July 1, 2000, are paid under option A. Members serving on or after July 1, 2000, may choose between two benefit payment options, A or B. Both options are based upon compensation of the highest office in which the member served, with benefits for option A accumulating as follows:

For the first ten years of service, benefits are credited at 5 percent per year of the member's compensation. For the remaining years of service, benefits are credited at 2.5 percent per year of the member's compensation.

In addition to the above benefits, option B includes:

Benefits credited at 2.5 percent per year for senior judges with five years of service.

The maximum benefit is 75 percent of compensation. Upon the death of retired or sitting members, surviving spouses will be entitled to benefits equal to 50 percent of the member's calculated benefit.

***Summary of Significant Accounting Policies***

The JRF's financial statements are prepared using the accrual basis of accounting and flow of economic resources measurement focus. Member and Department contributions are recognized as revenues in the period in which the member's services are performed. Investment income and filing fees are recognized when earned. Benefit payments and refunds are recognized when the obligation is due and payable in accordance with terms of the plan. Other expenditures are recognized when the obligation is incurred.

The JRF's investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Short-term investments are reported at market value when published market prices and

quotations are available or at cost plus accrued interest, which approximates market value. Purchases and sales are recorded at the trade date.

***Funding Policy***

*Contributions and Vesting*

Members and the Judicial Department contribute to the JRF during the members' first 20 years of employment. Member and Department contributions are a percentage of the member compensation as defined by state law. The JRF policy provides for Department and member contributions at 7 percent and 6 percent, respectively, of annual covered payroll. The payroll for members covered by the JRF was approximately \$5.0 million for the fiscal year ended June 30, 2007. In addition, specified court-filing fees in civil court actions are dedicated to the JRF.

Actuarial valuations of the funding status and required contribution levels are generally performed biennially using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The unfunded actuarial liability created by this method is amortized as a level percentage of salary over 25 years on an open basis. The actuarial assumptions include a 7.5 percent investment rate of return, projected annual salary increases of 3 percent, and annual postretirement benefit increases of 3 percent. Based on the most recent actuarial valuation as of June 30, 2007, the annual required contribution (ARC) is \$2.5 million. Net pension obligation increased from \$1.1 million in 2006 to \$1.7 million in 2007 due to the annual pension cost exceeding the employer's contributions. Total Judicial Department and member contributions to the pension plan for the fiscal year ended June 30, 2007, amounted to \$2.1 million, of which \$1.5 million was received from filing fees and \$0.3 million each from the Judicial Department and its members.

The State's annual pension cost and net pension obligation to the JRF for the current year and two preceding years are as follows:

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2007

#### Idaho Judges' Retirement Fund

##### Annual Pension Cost and Net Pension Obligation

(dollars in thousands)

	2005	2006	2007
Annual Required Contribution (ARC)	\$2,099	\$2,284	\$2,523
Interest on Net Pension Obligation (NPO)	28	47	80
Adjustment to ARC	(34)	(56)	(96)
Annual Pension Cost (APC)	2,093	2,275	2,507
Employer Contributions Made	(1,847)	(1,825)	(1,864)
Increase (Decrease) in NPO	246	450	643
Prior Year NPO	375	621	1,071
<b>Current Year NPO</b>	<b>\$621</b>	<b>\$1,071</b>	<b>\$1,714</b>
Percentage of APC Contributed	88.2%	80.2%	74.3%

Members become fully vested in their retirement benefits after four years of credited service. If a member terminates from the retirement plan prior to four years of service, the member's contributions plus 6.5 percent per annum will be returned. Members are eligible for retirement benefits upon meeting one of the following criteria:

- attainment of age 65 and a minimum of 4 years of service
- attainment of age 60 and a minimum of 10 years of service
- attainment of age 55 and a minimum of 15 years of service
- after 20 years of service

#### Funding

The JRF's benefits are funded by contributions from members and the Judicial Department, earnings from investments, and court filing fees. Costs of administering the JRF are financed through the contributions and investment earnings of the JRF.

## 2. College and University Optional Retirement Plan

### Plan Description

#### Organization and Purpose

Effective July 1, 1990, the State Legislature authorized the Idaho State Board of Education to establish the Optional Retirement Plan (ORP), a defined contribution plan for college and university faculty and exempt employees. The ORP is governed by *Idaho Code*, Sections 33-107A and 33-107B. Vendor options include Teachers' Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company. The Plan is administered by TIAA-CREF, and they may be reached at (800) 842-2009.

#### Membership

New faculty and exempt employees hired July 1, 1990, or thereafter, automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1990, had a one-time opportunity to enroll in the ORP.

#### Funding Policy

##### Contributions and Vesting

The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer contributions are determined by the State. The contribution requirement and amount paid for the fiscal year ended June 30, 2007, was \$29.6 million, which consisted of \$15.6 million from the colleges and universities and \$14.0 million from employees. These contributions represented approximately 7.7 percent and 7 percent of covered payroll (7.8 percent and 7 percent for University of Idaho) from the universities and employees, respectively.

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age.

## 3. Department of Labor Retirement Plan

### Plan Description

#### Organization and Purpose

This stand-alone insured retirement plan provides retirement benefits for certain employees (and their beneficiaries) of the Idaho Department of Commerce and Labor hired prior to October 1, 1980. The Plan is governed by *Idaho Code*, Section 72-1335, and U.S. Department of Labor Rules and Regulations. The Labor Retirement Plan is administered by the Idaho Department of Commerce and Labor, which may be reached at (208) 332-3570 ext. 3228.



## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2007

#### Membership

As of June 30, 2007, the number of Idaho Department of Commerce and Labor members and actual benefit recipients are as follows:

Retirees and Beneficiaries	405
Inactive Participants	17
Current Active Employees	<u>44</u>
Total	<u>466</u>

#### Benefits

The retirement benefit payments are calculated using a benefit formula established by the Plan. This monthly benefit is payable for life, through an annuity purchased for each retired employee from Prudential Insurance Company, with 120 payments guaranteed to the annuitant or their survivor. Once an annuity is purchased, Prudential assumes the risk for the insured benefit and has guaranteed to pay benefits in the event the trust funds are depleted. The Plan provides that the contributions paid by the employer to Prudential are in complete discharge of the employer's financial obligation under the Plan. At September 30, 2006, the last actuarial valuation date, no unfunded liability existed. The normal service retirement allowance is the

average annual salary for the highest three consecutive years times 2 percent for each year of credited service.

The present value of future retirement benefits is \$129.8 million. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6 percent for 2007. Net assets available for benefits (at fair value) are \$183.7 million.

#### Funding Policy

##### Contributions

Until August 1999, 7 percent of payroll was contributed by the employee. The employee contribution was required by the Plan and was therefore made even though a contribution was not actuarially needed to finance future benefits. In August 1999 the U.S. Department of Labor approved a plan change to allow the plan actuary to determine the employee contribution rate. Employee contributions were then suspended through September 30, 2007, consistent with the most recent actuarial valuations. This valuation certified that the total contribution rate should remain at zero through September 30, 2008. The total employer contribution for federal fiscal year 2006 was zero. The employer payments have been fully funded by federal revenues from the U.S. Department of Labor.

## NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The State funds or partially funds the following postemployment benefits relating to health, disability, and life insurance. *Idaho Code*, Sections 67-5760 to 67-5767 and 72-1335, establishes the benefits and contribution obligations.

### A. Retiree Health Insurance Subsidy

A retired officer or employee of a state agency, department, or institution, including an elected official, who is eligible to retire under the Public Employee Retirement System of Idaho (PERSI), may elect to have the State's retiree health insurance coverage for themselves and eligible dependents. To be eligible, state employees must enroll within sixty days of the date of their retirement. Additionally, the unreduced PERSI monthly benefit at the time of retirement must meet or exceed the monthly cost of single retiree health insurance coverage, or employees must have ten or more years (20,800 or more hours) of credited state service.

Retirees eligible for medical health insurance pay the majority of the premium cost; however, the retiree plan

costs are subsidized by the active employee plan. In fiscal year 2007 the State contributed \$16 per active non-retired employee per month, which went to a reserve to offset the monthly costs of the retirees' benefits. Other than an aging population, no significant matters affect comparability of the State's costs from one year to the next. The State's annual contribution toward the retiree premium cost was approximately \$5.2 million. The State's contribution was approximately 26.3 percent of the total cost of the retiree plan of \$19.7 million. A total of 3,235 retired employees are enrolled and receiving benefits as of June 30, 2007. The Legislature has not set aside any assets to pay future benefits. The State funds this benefit on a pay-as-you-go basis.

### B. Long-Term Disability Benefits

Long-term disability benefits are available for active employees who become disabled, generally up to a maximum age of 70. Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired for the first 30 months of disability, or any job thereafter for

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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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which they are reasonably qualified by experience, education, or training. Additionally, to qualify for long-term disability, the waiting period of the later of 26 weeks of continuous total disability or exhaustion of accrued sick leave must be met. The gross benefit equals 60 percent of monthly salary or \$3,000 (whichever is smaller). The benefit does not increase with inflation and may be offset by other disability benefits from Social Security, Workers' Compensation, or the PERSI Base Plan. The State pays 100 percent of the cost of the benefit.

Long-term disability benefits are insured by Principal Life Insurance Company for any employees disabled on or after July 1, 2003. Claims for prior fiscal years are advance-funded by the State on an actuarially determined basis, using the one-year term cost method. Each fiscal year the State funds the estimated actuarial present value of benefits for disabilities incurred in that fiscal year. In addition, funding for disabilities incurred in prior fiscal years is adjusted periodically to reflect unanticipated changes in the number of claimants or benefit levels. Significant actuarial assumptions include an interest rate of 5.5 percent and the 1987 Commissioner's Group Disability Table.

Plan assets are valued at cost. Based on the most recent actuarial valuation as of June 30, 2006, net assets available for future payments were \$17.1 million. The actuarial accrued liability for disabilities incurred in fiscal year 2003 and all prior fiscal years was \$7.4 million (\$10.5 million on an undiscounted basis) and no unfunded actuarial accrued liability existed. For the fiscal year ending June 30, 2006, the State's actuarially required and actual contribution was zero. At that date 178 disabled employees were receiving this benefit.

**C. Life Insurance for Disabled Employees**

The State pays 100 percent of the cost of basic life and dependent life coverage for disabled employees, generally up to a maximum age of 70. The life insurance benefit amount is generally 100 percent of annual salary, but not less than \$20,000. In addition, a \$2,000 life insurance benefit is provided to spouses, and a \$1,000 life insurance benefit is provided to dependent children. The benefit does not increase with inflation.

The State holds a reserve to self-fund the life insurance claims for disabled employees in the event of contract termination with Principal Life Insurance Company. This reserve is actuarially determined using the one-year term cost method and is funded periodically by the State. Significant actuarial assumptions include an interest rate

of 5.5 percent and the 1970 Intercompany Group Life Disability Valuation Table.

Plan assets are valued at cost. As of June 30, 2006, the net assets available for future payments were \$5.6 million. The actuarial accrued liability for life insurance benefits in fiscal year 2006 and all prior fiscal years was \$7.5 million (\$10.1 million on an undiscounted basis) and the unfunded actuarial accrued liability was \$1.9 million. For the fiscal year ending June 30, 2006, an actuarially required contribution was not determined, and no contribution was made. At that date 544 disabled employees and an estimated 680 spouses and dependents were receiving this benefit.

**D. Health Insurance for Disabled Employees**

For up to 30 months following the date of disability, the State pays 100 percent of the State's share of medical/dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for these benefits.

Each fiscal year, the State advance-funds the estimated actuarial present value of health insurance premiums for disabled employees in that fiscal year. In addition, funding for health insurance premiums for employees disabled in prior fiscal years is adjusted periodically to reflect unanticipated changes in number of claimants or benefit levels. The reserves and funding amounts are actuarially determined in accordance with the one-year term cost method. Significant actuarial assumptions include a medical trend rate of 10 percent, a discount rate of 5 percent, and a standard disability termination table.

Plan assets are valued at cost. As of June 30, 2006, the net assets available for future payments were \$0.5 million. The actuarial accrued liability for health insurance premiums for disabled employees in fiscal year 2006 and all prior fiscal years was \$1.0 million (\$1.1 million on an undiscounted basis), and the unfunded actuarial accrued liability was \$0.5 million. For the fiscal year ending June 30, 2006, the State's actuarially required and actual contribution for the period was \$5.35 per employee per month. At that date 121 disabled employees were receiving this benefit.

**E. Postemployment Benefits for Selected Employees**

Boise State University, Idaho State University, Lewis-Clark State College, and Eastern Idaho Technical College provide basic life insurance for certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Eligible retirees

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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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receive basic life insurance coverage equal to 100 percent of the annual salary at retirement. Currently 582 retired employees are receiving this benefit.

The Judicial Department provides basic life insurance for all retired Idaho Supreme Court Justices, District Court Judges, Magistrate Judges, and Court Administrators. Eligible retirees receive insurance equal to 100 percent of the annual salary of the position from which they retired. Currently 66 retired employees are receiving this benefit.

The Department of Commerce and Labor provides basic life insurance for all certified retired employees. Eligible retirees receive insurance equal to 50 percent of their annual salary at retirement, not to exceed \$5,000 of insurance. Currently 452 retired employees are receiving this benefit.

The above-listed employers pay 100 percent of the cost of these benefits, which are funded on a pay-as-you-go basis. A total of \$0.6 million was expended in fiscal year 2007.

The University of Idaho provides lifetime post-retirement medical, dental, and life insurance coverage to employees who meet certain age and service requirements. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. This benefit has not been offered to employees hired on or after January 1, 2002. The University partially funds these obligations by depositing 1.5 percent of employee gross payrolls into a reserve. The University had expenses totaling \$2.8 million in fiscal year 2007 to purchase insurance for 585 retired employees. As of June 30, 2007, approximately \$6.5 million is available to fund these obligations.

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**NOTE 9. RISK MANAGEMENT**

The State maintains a combination of commercial and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through the Risk Management and Group Insurance internal service funds and various outside entity insurance providers.

The Risk Management fund manages property and general liability risk. The Fund also finances and accounts for other risks not covered by Group Insurance and various outside entity insurance providers. General liability claims are self-insured up to the *Idaho Tort Claims Act* maximum of \$500,000 for each occurrence. Property damage claims are self-insured for up to \$250,000 per occurrence annually. Physical damage to covered vehicles is self-insured for actual cash value. The State purchases commercial insurance for claims not self-insured by the above coverages and for other identified risks of loss, including workers' compensation insurance.

Liabilities for Risk Management include claims that have been incurred but not reported; incremental claim adjustment expenses related to specific claims; claim adjustment costs, both allocated and unallocated; and any anticipated subrogation receipts. The State records its Risk Management premium liability using discounted amounts provided by actuaries. The discounted liabilities take into account anticipated investment income. At fiscal year-end \$17.0 million of unpaid claim liabilities for Risk Management are presented at present

value, \$15.2 million, using a 5 percent discount interest rate.

The Group Insurance fund is used to account for and finance life, health, and disability insurance programs. Life, health, and disability insurance programs are experience rated and fully insured. However, when the claims exceed 100 percent of the annual premium paid to the insurer, the State is responsible for up to an additional 13.2 percent of the annual premiums for medical, 10 percent for dental, and 10 percent for life and disability coverage. The insurance carrier assumes the risk of loss for claims above the contractual ceilings. Policy claim liabilities are composed of the amounts required to fund any additional payments of life, health, and disability premiums. The liabilities include claims that have been incurred but not reported and are net of any contractual adjustments and coordination of benefits. The fiscal year 2006 refunds from the Group Insurance carriers reflect favorable claims experience. Unpaid claim liabilities at fiscal year-end of \$2.7 million for Group Insurance are not discounted. The State maintains program and premium stabilization balances; these amounts are included with restricted net assets in the Group Insurance fund. Long-term disability coverage is discussed in Note 8.

All state entities may participate in the Risk Management and Group Insurance programs. Payments are made to the Risk Management fund based on actuarial estimates, loss experience, exposure, and asset value covered.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2007

Payments made to the Group Insurance fund are based on actuarial estimates of the amounts needed to pay for negotiated coverage and projected claims experience. Claim settlements have not exceeded insurance coverage for each of the past three fiscal years.

Liabilities are reported when the occurrence of loss is probable and the amount of the loss can be reasonably estimated. Changes in policy claim liabilities for the fiscal years ending June 30, 2006, and 2007, are as follows (*dollars in thousands*):

		Beginning	Current Year	Claims	
	Fiscal	Balance	Claims and	(Payments)	Ending
	Year	As Restated	Changes in	Refunds	Balance
			Estimate		
Risk Management	2006	\$17,358	\$2,738	(\$4,117)	\$15,979
	2007	\$15,979	\$2,925	(\$3,721)	\$15,183
Group Insurance	2006	(\$633)	(\$11,283)	\$14,045	\$2,129
	2007	\$2,129	\$1,072	(\$517)	\$2,684

## NOTE 10. LEASES

### A. State as Lessee

The State leases office buildings, vehicles, and office equipment. Although the lease terms vary, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered noncancelable for financial reporting purposes. Any escalation clauses, sublease rentals, executory costs, and contingent rentals are considered immaterial to the future minimum lease payments and current rental expenditures.

#### Operating Leases

Operating leases are leases that do not qualify for capitalization; therefore, the lease agreements are not reflected as assets in the State's balance sheet. Operating lease payments are recorded as expenditures

or expenses of the related funds when paid or incurred. The total operating lease expenditures/expenses for fiscal year 2007 were \$23.5 million for the primary government and \$48,148 for component units. Operating leases contain various renewal options, as well as some purchase options.

#### Capital Leases

Capital leases are leases the State has entered into that are, in substance, a purchase. At the date of acquisition, the assets are valued on the balance sheet at the present value of the future minimum lease payments. Capital lease assets and obligations are recorded in the respective funds as capital assets and long-term obligations. Interest expense for capital leases is not capitalized. Amortization of assets acquired under capital lease is included with depreciation expense.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2007

Future minimum lease commitments for noncancelable operating and capital leases as of June 30, 2007, are as follows (*dollars in thousands*):

Fiscal Year	Operating Leases		Capital Leases			
	Primary Government	Component Units	Governmental Activities	Business-Type Activities With Third Parties	Business-Type Activities With Component Unit	Total Primary Government
2008	\$23,360	\$13	\$1,846	\$476	\$426	\$2,748
2009	18,095	8	1,778	439	425	2,642
2010	15,896	9	1,293	439	423	2,155
2011	13,555	9	1,081	151	430	1,662
2012	10,389	9	1,008		426	1,434
2013 - 2017	14,307	62	4,595		2,129	6,724
2018 - 2022	4,724	88	3,898			3,898
2023 - 2027	4,772	122	1,907			1,907
2028 - 2032		91				
2033 - 2037		46				
<b>Total Payments</b>	<b>\$105,098</b>	<b>\$457</b>	<b>17,406</b>	<b>1,505</b>	<b>4,259</b>	<b>23,170</b>
Less Imputed Interest			(5,197)	(136)	(1,087)	(6,420)
<b>Total Present Value of Minimum Lease Payments</b>	<b>\$12,209</b>		<b>\$1,369</b>	<b>\$1,369</b>	<b>\$3,172</b>	<b>\$16,750</b>

The Department of Commerce and Labor canceled a capital lease on December 31, 2006. The asset acquired under this capital lease was a building with a 2006 fiscal year-end book value of \$0.6 million. Future minimum lease payments were \$4.2 million with \$3.4 million

representing imputed interest. This left a 2006 fiscal year-end liability of \$0.8 million. Upon cancellation the asset and liability were removed with a recognized gain of \$0.2 million.

Assets under capital lease as of June 30, 2007, are as follows (*dollars in thousands*):

Asset Class	Governmental Activities	Business-Type Activities	Total Primary Government
Land	\$166		\$166
Buildings and Improvements	12,229	\$6,733	18,962
Improvements Other Than Buildings	609		609
Machinery, Equipment, and Other	2,878	2,771	5,649
<b>Total Capital Leases</b>	<b>\$15,882</b>	<b>\$9,504</b>	<b>\$25,386</b>

#### B. State as Lessor

Non-state parties rent land and buildings under operating leases from the Lava Hot Springs Foundation, the

Departments of Agriculture, Correction, Health and Welfare, Juvenile Corrections, Lands, and Parks and Recreation. At June 30, 2007, the State leased the following (*dollars in thousands*):

Asset Class	Fair Market Value at Date of Acquisition	Accumulated Depreciation	Current Book Value
Land	\$2,196		\$2,196
Buildings and Improvements	1,906	(\$865)	1,041
Improvements Other Than Buildings	10		10
<b>Total</b>	<b>\$4,112</b>	<b>(\$865)</b>	<b>\$3,247</b>

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2007

The following is a schedule of minimum future rentals for operating leases as of June 30, 2007 (*dollars in thousands*):

<b>Fiscal Year Ending June 30</b>	<b>Total</b>
2008	\$9,384
2009	8,997
2010	8,102
2011	5,080
2012	2,346
2013 - 2017	5,329
2018 - 2022	2,176
2023 - 2027	2,041
<b>Total Minimum Future Rentals</b>	<b><u>\$43,455</u></b>

## NOTE 11. SHORT-TERM DEBT

### Primary Government

*Idaho Code*, Section 63-3201, authorizes the State Treasurer, upon approval of the State Board of Examiners, to borrow money in anticipation of current year tax receipts. The State uses external tax anticipation notes to cover the shortfall between General Fund revenues and disbursements during the year. General Fund revenues are received in relatively uneven amounts throughout the fiscal year due to various factors affecting the timing of receipts; such factors are the collection of individual income taxes in April, large sales tax receipts in January as a result of holiday shopping, and quarterly collections of corporate income tax. During fiscal year 2007 the State anticipated that 43.4 percent of General Fund revenues would be received in the first six months; however, disbursements during the same period were expected to account for 57.7 percent of total expenditures, mainly due to public school aid and Health and Welfare expenditures. The notes sold on the open

market were issued on July 5, 2006, and were redeemed on June 29, 2007.

### Component Units

The Idaho Housing and Finance Association utilizes short-term borrowing in the form of commercial paper to provide funds to purchase single-family mortgage loans on an interim basis and to finance multi-family construction loans. As of June 30, 2007, the Association has commercial paper outstanding maturing within 30 days from date of issue with a weighted average interest rate of 5.26 percent.

The Idaho Small Employer Health Reinsurance Program has a \$600,000 line-of-credit commitment from a local bank for operating expenses. Interest on the advances is payable monthly at prime rate plus 0.5 percent per annum. The line matures October 14, 2007, and is not secured.

Short-term debt activity for the year ended June 30, 2007, was as follows (*dollars in thousands*):

	<b>Beginning Balance</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Ending Balance</b>
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
External Tax Anticipation Notes	\$0	\$100,000	(\$100,000)	\$0
<b>Component Units</b>				
Commercial Paper	\$15,000	\$180,000	(\$180,000)	\$15,000
Line of Credit	\$0	\$371	(\$371)	\$0

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

**NOTE 12. BONDS/NOTES/OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

**Primary Government**

Idaho's compensated absences policy permits employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits. Employees earn vacation based on hours worked and years of service; compensatory time earned is based on hours worked in excess of forty hours per week. Upon termination of employment, an employee is paid for unused vacation time and administrative leave. All employees covered by the Fair Labor Standards Act are paid compensatory balances at termination.

A liability is accrued in the government-wide, proprietary, and fiduciary fund financial statements for all vacation pay and compensatory time when incurred. The liability is based on the pay rate in effect at the balance sheet date.

Based on current policy, the State does not pay amounts for accumulated sick leave when employees separate from service. Therefore, the State does not accumulate a liability for sick leave. However, upon retirement 50 percent of an employee's unused sick leave value (not to exceed 600 hours) is reported to the Public Employee Retirement System of Idaho (PERSI) and accumulated in the Sick Leave Insurance Reserve Fund to purchase health insurance for the retiree.

*Idaho Code*, Section 67-5333, governs the operation of the Sick Leave Insurance Reserve Fund program. The obligation is advance-funded by remitting a percentage of payroll to PERSI to cover future insurance premiums. The rate of contributions as a percent of covered salary at June 30, 2007, was 0.65 percent for State employees. The amount available to pay benefits is based on unused accumulated sick leave at an employee's retirement date. State employees may use one-half of sick leave hours accrued up to the allowable maximum (as shown below) multiplied by their rate of compensation at retirement.

Credited Hours of State Service	Maximum Allowable Hours
0–10,400 (0-5 years)	420
10,401–20,800 (5-10 years)	480
20,801–31,200 (10-15 years)	540
31,201+ (15 years or more)	600

Postretirement health insurance premiums are paid from the retiree's sick leave account until the account balance is exhausted. The liability is included as part of the

compensated absences liability on the government-wide statements.

The State assumes a first-in, first-out flow for compensated absence balances, except for compensated absence balances related to retiree health insurance, of which the majority is due within one year.

**B. Revenue Bonds**

**Primary Government**

The Idaho State Building Authority is authorized by *Idaho Code* Title 67, Chapter 64, to issue bonds to finance construction, restoration, or acquisitions of facilities for lease to state agencies per prior legislative approval. Bonds are direct obligations of the Authority, payable from and secured by a pledge of lease revenues and other funds and reserves held under bond resolutions. The Authority has surety bonds in amounts up to the reserve requirements for all outstanding bonds. No amounts were outstanding at June 30, 2007, under these surety bonds. The Authority has recorded an estimated arbitrage rebate liability of \$0.9 million for the 2006 Series A bonds.

The State's colleges and universities have a number of outstanding bonds for the primary purpose of funding various construction projects. University bonds are secured by student fees, the sale of goods and services, grants, contributions, and certain other revenues.

The Idaho Water Resource Board, established by *Idaho Code* within the Department of Water Resources, is authorized to issue and sell revenue bonds under provisions of *Idaho Code*, Sections 42-1739 through 42-1749. Bonds in the original amount of \$5.3 million are outstanding and secured by revenues derived from the generation of hydroelectric power. These bonds are not considered general obligations of the State. The bonds are secured by a reserve fund with the trustee bank. The reserve requirement is equal to the lesser of 125 percent of the annual debt service, the maximum annual debt service, or 10 percent of the outstanding principal of the bonds. An amount equal to 125 percent of the current year's debt service payment is accumulating in the Loan fund for debt service payment in the event the pipeline is out of service and unable to generate revenue.

**Component Units**

The Idaho Housing and Finance Association is authorized to issue and sell revenue bonds under provisions of *Idaho Code*, Sections 67-6201 through 67-6226. The Association issued bonds to finance

**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2007**

various single and multi-family housing developments and the construction of highway transportation projects. The bonds are either special or general obligations of the Association and do not constitute a debt of the State or any of its political subdivisions. The bonds have been issued in a variable rate mode. The bulk of the bonds are re-marketed on a weekly basis at the prevailing interest rates. The multi-family housing bonds are limited obligations of the Association and are secured by the respective mortgages on each development as well as a lien on all revenues as defined in each respective bond indenture. The transportation bonds are secured by future federal highway funds.

The State's college and university foundations have a number of bonds outstanding for the purpose of funding construction projects. Foundation bonds are secured by various revenue sources, including donations, pledges, and other funds.

The Idaho Bond Bank Authority is authorized to issue and sell revenue bonds under provisions of the *Idaho Constitution*, Article VIII, Section 2A, and *Idaho Code*, Sections 67-8701 through 67-8728. The bonds are used by the Authority to make loans to Idaho cities in order to finance the construction of public water and/or sewer improvements. The bonds are limited obligations of the Authority and do not constitute a debt of the State or any of its political subdivisions.

Revenue bond debt service requirements to maturity are as follows (*dollars in thousands*):

Fiscal Year Ending June 30	Primary Government							
	Governmental Activities		Business-Type Activities					
	Nonmajor Special Revenue		College and University		Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$23,210	\$14,723	\$12,255	\$19,384	\$305	\$294	\$35,770	\$34,401
2009	23,470	13,747	13,330	18,045	325	277	37,125	32,069
2010	23,195	12,734	14,285	17,441	340	259	37,820	30,434
2011	23,015	11,683	13,720	16,788	360	240	37,095	28,711
2012	24,105	10,592	13,940	16,138	380	220	38,425	26,950
2013-2017	84,785	37,673	79,185	69,328	2,250	747	166,220	107,748
2018-2022	45,810	24,976	83,420	49,187	1,090	104	130,320	74,267
2023-2027	35,610	13,636	56,125	31,734			91,735	45,370
2028-2032	5,840	8,987	43,415	20,808			49,255	29,795
2033-2037	11,970	6,518	52,435	9,851			64,405	16,369
2038-2042	15,370	3,117	7,870	1,090			23,240	4,207
2043-2047	4,475	157					4,475	157
<b>Total</b>	<b>\$320,855</b>	<b>\$158,543</b>	<b>\$389,980</b>	<b>\$269,794</b>	<b>\$5,050</b>	<b>\$2,141</b>	<b>\$715,885</b>	<b>\$430,478</b>
Interest Rate	2.50% to 5.98%		2.00% to 6.50%		5.46% to 6.28%			



## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2007

Fiscal Year Ending June 30	Component Units							
	Idaho Housing and Finance Association		College and University Foundation		Bond Bank Authority		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$88,455	\$96,903	\$355	\$581	\$1,590	\$1,616	<b>\$90,400</b>	<b>\$99,100</b>
2009	56,420	85,033	365	567	1,855	1,554	<b>58,640</b>	<b>87,154</b>
2010	30,540	83,045	375	548	1,930	1,476	<b>32,845</b>	<b>85,069</b>
2011	32,980	81,624	395	531	1,745	1,394	<b>35,120</b>	<b>83,549</b>
2012	35,925	80,022	405	513	2,110	1,308	<b>38,440</b>	<b>81,843</b>
2013-2017	220,745	367,924	8,055	1,613	10,310	5,011	<b>239,110</b>	<b>374,548</b>
2018-2022	262,925	296,849	4,675	236	6,990	2,978	<b>274,590</b>	<b>300,063</b>
2023-2027	273,945	211,427			5,380	1,687	<b>279,325</b>	<b>213,114</b>
2028-2032	244,120	129,377			2,245	793	<b>246,365</b>	<b>130,170</b>
2033-2037	218,805	49,217			2,440	242	<b>221,245</b>	<b>49,459</b>
2038-2042	43,475	3,870					<b>43,475</b>	<b>3,870</b>
<b>Total</b>	<b>\$1,508,335</b>	<b>\$1,485,291</b>	<b>\$14,625</b>	<b>\$4,589</b>	<b>\$36,595</b>	<b>\$18,059</b>	<b>\$1,559,555</b>	<b>\$1,507,939</b>
Interest Rate	3.78%		3.73% to 5.35%		2.50% to 5.00%			

### C. Advance Refundings

#### Primary Government

In a prior year the Idaho Water Resource Board defeased bonds by placing sufficient funds into an escrow account to pay all future debt service payments on the defeased bonds. The related liability was appropriately removed from the financial statements in the year of defeasance.

In prior years the Idaho State Building Authority defeased several bonds by placing governmental securities into irrevocable trusts sufficient to provide for

all future debt service payments on those bonds. Consequently, the related liability was appropriately removed from the financial statements in the year of defeasance.

In prior years Boise State University and the University of Idaho defeased several bonds by placing the proceeds of general revenue and refunding bonds into escrow accounts in amounts sufficient to pay all future debt service payments on those bonds. The related liabilities were appropriately removed from the financial statements in the year of defeasance.

The outstanding debt payable as of June 30, 2007, for each defeased debt issue follows (*dollars in thousands*):

Issuer	Debt Issue	Amount Defeased	Remaining Liability
Idaho State Building Authority	1992 Series C Bonds	\$9,225	\$4,910
	2003 Series B Bonds	\$4,765	\$4,765
Water Resource Board	1999 Series Bonds	\$4,785	\$4,560
Boise State University	1996 Series Bonds	\$1,500	\$0
	1998 Series Bonds	\$15,960	\$15,960
	2001 Series Bonds	\$2,920	\$2,920
	2002 Series Bonds	\$34,710	\$34,710
University of Idaho	1997 Series Bonds	\$12,965	\$0
	1997 Supplemental Bonds	\$4,120	\$4,120
	1999 Series C Bonds	\$4,065	\$4,065
	1999 Series D Bonds	\$6,020	\$6,020

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2007

#### D. Notes Payable

##### Primary Government

The Idaho Transportation Department financed the improvement of various roads and related infrastructure within the State through the issuance of a note payable to the Idaho Housing and Finance Association (IHFA) related to Grant Anticipation Revenue Vehicle (GARVEE) Bonds. The note will be repaid by grant revenues received by the Department from the Federal Highway Administration and by matching state funds. The amount of the balance owing does not equal the amount of the receivable recorded by IHFA due to the timing of principal and interest payments.

The Idaho Potato Commission purchased capital equipment through the issuance of a note payable.

Note debt service requirements to maturity are as follows (*dollars in thousands*):

Fiscal Year Ending June 30	Primary Government											
	Governmental Activities						Business-Type Activities					
	Nonmajor						College and					
	Transportation		Special Revenue		Internal Service		University		Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$20,240	\$8,311	\$9	\$1	\$104	\$193	\$2,626	\$588	\$1,675		\$24,654	\$9,093
2009	5,707	1,393	4		118	188	1,096	496	1,675		8,600	2,077
2010					110	182	4,452	427	1,675		6,237	609
2011					127	176	1,138	144			1,265	320
2012					146	169	501	104			647	273
2013 - 2017					1,058	696	1,951	215			3,009	911
2018 - 2022					1,775	328	13	1			1,788	329
2023 - 2027					228	4					228	4
<b>Total</b>	<b>\$25,947</b>	<b>\$9,704</b>	<b>\$13</b>	<b>\$1</b>	<b>\$3,666</b>	<b>\$1,936</b>	<b>\$11,777</b>	<b>\$1,975</b>	<b>\$5,025</b>	<b>\$0</b>	<b>\$46,428</b>	<b>\$13,616</b>
Interest Rate	3.70% to 4.00%		4.98%		4.14% to 5.34%		3.97% to 7.01%		0.00%			

The Department of Administration purchased operating and capital equipment through the issuance of notes payable.

The State's colleges and universities purchased land and financed various construction projects through the issuance of notes payable in prior fiscal years. Some of these notes are secured by student fees, the sale of goods and services, grants, contributions, and other revenue.

The Idaho Water Resource Board issued notes payable to purchase water rights. The water rights were owned by the Bell Rapids Mutual Irrigation Company and the purchase was authorized by the Legislature to address statewide water issues driven by drought, water supply, and basic demands of economic development.

#### E. Claims and Judgments

##### Primary Government

Claims and judgments are payable on behalf of the State and its agencies for various legal proceedings and claims. In general, the State records liabilities for material claims and judgments when they are considered probable and estimable. The State recorded the following claims and judgments as of June 30, 2007:

The Idaho Transportation Department experienced contractor claims for reimbursement of additional expenses incurred for the performance of construction contract requirements. The State recorded a liability of \$0.7 million.

The Department of Environmental Quality entered into a contract with the Environmental Protection Agency (EPA) in April 1995 for the purpose of environmental remediation within the Bunker Hill

Superfund Site. Federal Superfund law requires the State to match 10 percent of federal funds spent on actual remediation work and the State to meet all costs of future site operational and maintenance costs. The April 2006 amended remediation cost estimate was \$150.0 million; the State's share was \$15.0 million. The State has expended \$13.0 million toward the required match, leaving a liability of \$2.0 million. The work is estimated to be completed in calendar year 2007. The State anticipates 1,000 acres of remediated and unremediated land will be transferred to the State. The land's value has not been established and has development limitations which may reduce property values.

In August 2002 the federal government, Idaho, Washington, and tribal officials signed a memorandum of agreement to create the Coeur d'Alene Basin Commission that will direct clean up of the Coeur d'Alene Basin in Idaho. The EPA issued a

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2007

record of decision in September 2002. The State and federal government signed the Coeur d'Alene Basin Superfund contract on October 2, 2003. The current estimate of the remediation cost is \$355.0 million; Idaho's share is \$32.4 million. The State has expended \$2.2 million toward the required match, leaving a liability of \$30.2 million. Washington State will match the remainder of the liability. The present value of operational and maintenance cost is estimated at \$41.0 million. Work began in 2003 and will take 30 years to complete. Environmental liability estimates are subject to amendment. The State does not anticipate any recovery from other parties for the Coeur d'Alene Basin project.

#### Component Units

The Petroleum Clean Water Trust Fund had policy claim liabilities of \$7.6 million for unpaid losses and loss adjustments.

The Idaho Individual High-Risk Reinsurance Pool and the Idaho Small Employer Reinsurance Program had policy claim liabilities of \$1.8 million for unpaid claims.

The Idaho Life and Health Insurance Guaranty Association had policy claim liabilities of \$0.3 million for unpaid claims.

#### F. Changes in Long-Term Liabilities

The changes in long-term liabilities for the fiscal year ended June 30, 2007, are summarized as follows (*dollars in thousands*):

Long-Term Liabilities	Balances at July 1, 2006 As Restated	Increases	Reductions	Balances at June 30, 2007	Amounts Due Within One Year
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
Revenue Bonds	\$207,545	\$127,090	(\$13,780)	\$320,855	\$23,210
Premiums/Discounts/Other	(2,342)	6,533	(389)	3,802	
Total Bonds Payable	205,203	133,623	(14,169)	324,657	23,210
Capital Leases	13,929	269	(1,989)	12,209	1,196
Compensated Absences	56,245	55,354	(54,970)	56,629	50,371
Policy Claim Liabilities	36,002	3,997	(6,238)	33,761	10,343
Claims and Judgments	34,486	787	(2,349)	32,924	858
Notes Payable	3,776		(97)	3,679	113
Notes Payable to Component Unit		28,373	(2,426)	25,947	20,240
Net Pension Obligation	1,071	643		1,714	
Arbitrage Liability		901		901	
<b>Total Governmental Activity</b>	<b>\$350,712</b>	<b>\$223,947</b>	<b>(\$82,238)</b>	<b>\$492,421</b>	<b>\$106,331</b>
<b>Business-Type Activities:</b>					
Revenue Bonds	\$315,275	\$135,075	(\$55,320)	\$395,030	\$12,560
Premiums/Discounts	4,033	1,692	1,426	7,151	92
Total Bonds Payable	319,308	136,767	(53,894)	402,181	12,652
Capital Leases	1,709	100	(440)	1,369	410
Capital Leases to Component Unit	3,422		(250)	3,172	255
Compensated Absences	16,986	18,336	(16,941)	18,381	18,381
Notes Payable	16,284	3,325	(2,807)	16,802	4,301
<b>Total Business-Type Activity</b>	<b>\$357,709</b>	<b>\$158,528</b>	<b>(\$74,332)</b>	<b>\$441,905</b>	<b>\$35,999</b>
<b>Component Units</b>					
Revenue Bonds	\$1,382,065	\$397,560	(\$220,070)	\$1,559,555	\$90,400
Premiums/Discounts	6,305	497	(149)	6,653	18
Total Bonds Payable	1,388,370	398,057	(220,219)	1,566,208	90,418
Policy Claim Liabilities	9,398	8,046	(7,664)	9,780	4,113
Notes Payable	2,650		(2,650)	0	
<b>Total Component Unit Activity</b>	<b>\$1,400,418</b>	<b>\$406,103</b>	<b>(\$230,533)</b>	<b>\$1,575,988</b>	<b>\$94,531</b>

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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end \$0.7 million of compensated absences, \$33.8 million of policy claim liabilities, and \$0.3 million of capital leases were included in the above amounts for internal service fund liabilities.

The compensated absences liability attributable to governmental activities will be liquidated by the General Fund, special revenue, and internal service funds. In the past approximately 40.1 percent has been paid by the General Fund, 58.6 percent by special revenue funds, and the remainder by internal service funds. Primarily the same funds that have been used in prior years will be used to liquidate the following other governmental activity long-term liabilities: policy claim liabilities will be liquidated through the State's Group Insurance and Risk Management funds; claims and judgments will be liquidated by the Transportation special revenue fund and nonmajor special revenue funds.

**G. Conduit Debt**

***Primary Government***

The Idaho Water Resource Board has outstanding Water Resource Development Revenue Bonds for the promotion, construction, rehabilitation, and repair of water projects. The bonds are secured by the property

financed and are payable solely from revenue of the projects. Upon payment of the bonds, ownership of the acquired facilities transfers to the entity served by the bond issuance. Such bonds do not constitute a debt or obligation of the State or any political subdivision, agency thereof, or of the Board except to the extent of the revenues pledged under the indenture. Accordingly, these bonds are not reported in the accompanying financial statements. As of June 30, 2007, six series of Water Resource Bonds that qualified as conduit debt are outstanding with an aggregate principal amount payable of \$82.9 million.

***Component Unit***

The Idaho Housing and Finance Association has outstanding bonds to provide financial assistance to entities for the construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying investments. Upon repayment of the bonds, ownership of the constructed facilities transfers to the individuals served by the bond issuance. The Association is not obligated in any manner for repayment of these bonds. Accordingly, the bonds are not reported as Association liabilities. As of June 30, 2007, twenty-one series of bonds that meet the description of conduit debt obligations are outstanding with an aggregate principal amount payable of \$54.7 million.

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**NOTE 13. FUND EQUITY**

**A. Restatement of Beginning Fund Balances and Net Assets**

During fiscal year 2007 additional information became available that required the restatement of the beginning fund balances or net assets for the following funds:

The Group Insurance internal service fund beginning net assets decreased by \$2.1 million due to an adjustment for recording policy claim liabilities of active employees.

The government-wide Statement of Activities beginning net assets balance includes the above adjustment in the governmental activities column. In addition, the beginning net asset balance increased by \$63.6 million due to a change in accounting for the sick leave balances reported as part of compensated absences.

**B. Net Assets Restricted by Enabling Legislation**

Net assets are reported as restricted when constraints are placed on net asset use by external parties such as creditors, grantors, contributors, or other governments; or by state law through constitutional provisions or enabling legislation. Enabling legislation authorizes the State to mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

At June 30, 2007, the government-wide Statement of Net Assets reported \$1.8 billion of restricted net assets for governmental activities and \$813.9 million of restricted net assets for business-type activities. These amounts include \$285.9 million of net assets restricted by enabling legislation for governmental activities and \$174.6 million of net assets restricted by enabling legislation for business-type activities.

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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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**C. Designated Governmental Fund Balances**

Designated fund balances are included in the Unreserved Fund Balances reported on the Governmental Fund Balance Sheet. Designations represent management's tentative self-imposed decisions about the future use of unreserved fund balances. Designated fund balances for the year ended June 30, 2007, include the following:

Transportation Fund: \$35.5 million for trustee and benefit expenditures, highway projects, and to match federal dollars for state transportation projects.

Nonmajor Governmental Funds: \$7.5 million for air and water quality programs and environmental remediation projects, \$6.4 million for parks and recreation capital projects, \$247,534 for revenue fluctuations and strategic reserves, \$185,700 for computer hardware and support, and \$95,831 for training programs.

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**NOTE 14. DONOR-RESTRICTED ENDOWMENTS*****Primary Government***

Both the Public School Endowment and the Pooled Endowment funds have a nonexpendable permanent corpus and an earnings reserve account; the earnings reserve is used to receive earnings and to pay beneficiaries and expenses. The Endowment Fund Investment Board (EFIB) invests the revenues generated from the management and/or sale of endowment lands. The Board of Land Commissioners (Land Board) and the EFIB spend the net appreciation and other revenues in accordance with *Idaho Code*, Title 57, Chapter 7 and Title 67, Chapter 16. For the fiscal year ended June 30, 2007, net appreciation on investments of the donor-restricted endowments that was available for the Land Board and the EFIB to authorize expenditures was \$11.4 million for the Public School Endowment fund and \$7.2 million for the Pooled Endowment fund. The net appreciation of investments available for spending is reported in net assets restricted for permanent trust-expendable.

Idaho Public Television (IPTV) Foundation holds endowment assets with a fair value of \$4.0 million. The principal amount invested with a fair value of \$2.7 million at June 30, 2007, is to remain intact for donor-restricted purposes and is reported as part of net assets restricted for permanent trust-nonexpendable. The IPTV Foundation Board advises the amount of net appreciation that IPTV may spend. IPTV determines the purpose of the expenditures. At June 30, 2007, no net appreciation was available for expenditure.

***Component Units***

Endowments for the Boise State University Foundation, Bronco Athletic Association, Idaho State University Foundation, University of Idaho Foundation, and Eastern Idaho Technical College Foundation are managed in accordance with *Idaho Code*, Title 33, Chapter 50 and rules adopted by their boards as specified below.

The Boise State University Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. During the fiscal year the Foundation received new contributions of \$2.9 million. At June 30, 2007, the amount permanently restricted by donors was \$42.4 million. This amount is included in net assets restricted for permanent trust-nonexpendable. The endowments had net appreciation of \$7.3 million during the fiscal year. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. The Foundation has set a "total return" spending policy that specifies 4 percent of the 3-year rolling average of the ending market value of each individual account be made available for expenditure each year. This amount is reduced accordingly if the account has insufficient accumulated earnings to cover the payout.

The Bronco Athletic Association receives certain gift assets that are to be held in perpetuity for the benefit of Boise State University. During the fiscal year the Foundation received \$1.6 million in new contributions. At June 30, 2007, the amount permanently restricted by donors was \$9.5 million. The endowments had net appreciation of \$1.4 million during the fiscal year. The Association has set a "total return" spending policy that specifies 4 percent of the 3-year rolling average of the ending market value of each individual account be made available for expenditure each year. This amount is reduced accordingly if the account has insufficient accumulated earnings to cover the payout. The principal amounts held in perpetuity are reported in net assets restricted for permanent trust-nonexpendable. The accumulated earnings are reported in net assets restricted for permanent trust-expendable.

The Idaho State University Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. The Foundation received new contributions of \$1.6 million during the fiscal year. At

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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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June 30, 2007, the amount permanently restricted by donors was \$32.0 million. This amount is included in net assets restricted for permanent trust-nonexpendable. The endowments had net appreciation of \$3.1 million during the fiscal year. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. The Foundation has implemented a policy whereby a stated fixed rate (5 percent for fiscal year 2007) was treated as earnings, to be used for donor specified expenditures in the current year. The difference between the stated rate and actual earnings is an adjustment to the principal balance. Terms specified in donor agreements, if they differ from this practice, are honored.

The University of Idaho Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. The Foundation received \$3.1 million in new contributions during the fiscal year. At June 30, 2007, the amount permanently restricted by donors was \$103.2 million which is included in net assets restricted for permanent trust-nonexpendable. The endowments had net appreciation of \$17.9 million during the fiscal year. Unrealized appreciation is included in net assets restricted for permanent trust-nonexpendable. All other appreciation is also included in restricted net assets as expendable or nonexpendable permanent trust depending on the terms of the endowment agreements. The Foundation has the following two-tier spending

policy dependent upon the endowment agreement that exists for each endowment:

1. Endowments with agreements that require reinvestment of all realized capital gains as principal can distribute only realized interest and dividends, and all realized gains are reinvested.
2. For endowments without restrictive reinvestment language, the Board of Directors establishes an annual spending rate. For the fiscal year 2007, the spending rate was set at 4.5 percent of the three-year rolling average of the endowments' monthly fair market value. If the total realized dividends, interest, and short-term capital gains are less than the total amount required to make a distribution based on the established spending rate, realized long-term capital gains will be used to make up the shortfall.

The Eastern Idaho Technical College Foundation receives certain gift assets that are to be held in perpetuity for the benefit of scholarships at the College. During the fiscal year the Foundation received \$60,880 in new contributions. At June 30, 2007, the amount permanently restricted by donors was \$0.7 million. This amount is included in net assets restricted for permanent trust-nonexpendable. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. The Foundation determines the amount to be paid out as scholarships to the College on an annual basis.

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**NOTE 15. LITIGATION, CONTINGENCIES, AND COMMITMENTS**

**A. Litigation and Contingencies**

At June 30, 2007, litigation and contingencies consist of the following:

***Primary Government***

In *ISEEO, et al. v. Evans, et al.*, the plaintiffs allege that the current public school system does not provide a thorough education as required by the *Idaho Constitution*. Plaintiffs allege that approximately \$700.0 million to \$1.0 billion in construction expenditures will be needed to bring public schools up to standards. The case has been dismissed three times by the district court and appealed three times to the Idaho Supreme Court. The Supreme Court has remanded the case back to the district court, each time providing additional directions. Following the third remand the district court determined that the funding system did not provide constitutionally adequate facilities in some circumstances and indicated the court would take

remedial action if the Legislature did not address the court's concerns. The district court certified that decision for appeal to the Idaho Supreme Court. The Idaho Supreme Court determined that the system as it existed in 2001 was unconstitutional, and that the Legislature is responsible to determine an appropriate remedy.

On June 13, 2007, several of the ISEEO plaintiffs from the state court proceeding filed suit in the Federal District Court for the District of Idaho against the members of the Idaho Supreme Court who had participated in the *ISEEO V* decision. The plaintiffs contended that the members of the Idaho Supreme Court had deprived the plaintiffs of their federal rights against deprivation of liberty and property without due process of law by failing to provide a judicial remedy for an unconstitutional school funding system. If the plaintiffs in the case before the Federal District Court are ultimately successful in requiring further trials before the state courts, and if they are ultimately successful in

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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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requesting the state courts to require additional legislative funding or other actions, the Legislature would be required to address the judgment by raising additional state revenue, reallocating state revenues, or providing the local school districts the means to obtain additional revenue at the local level.

*Idaho Code*, Section 33-5303, requires the State to guarantee the bonds of any school district qualified by the State Treasurer. *Idaho Code*, Section 67-8716, requires the State to guarantee the bonds of any municipality qualified by the State Treasurer. If the State is required to make the bond payment of any school district or municipality, the State will redirect distributions normally made to the school district or municipality to reimburse the State. As of June 30, 2007, the principal amount of qualified bonds outstanding to school districts is \$586.8 million and the interest amount outstanding is \$168.0 million; the principal amount of qualified bonds outstanding to municipalities is \$38.3 million and the interest amount outstanding is \$19.3 million.

In November 1998 a Master Settlement Agreement was reached between the five largest tobacco manufacturers and 46 states. Since then more than 40 tobacco companies have joined the Agreement. Under the terms of the Agreement, the State of Idaho anticipates receiving annual payments in perpetuity, subject to numerous adjustments. The State received cash payments of \$23.7 million during fiscal year 2007. A number of tobacco manufacturers allege that Idaho has not diligently enforced the Idaho Master Settlement Agreement Act, and therefore should have one or more of its annual payments eliminated. While Idaho believes the allegations regarding Idaho enforcement are without merit, the litigation, until resolved, threatens one or more future payments.

The Idaho Transportation Department faces a potential liability of \$1.9 million for unpaid contractual claims. A probable cost of \$0.7 million has been recognized as a liability with a remaining contingent liability of \$1.2 million.

*Shoshone-Bannock Tribes v. Idaho State Tax Commission* is a tribal claim for a refund of motor fuels taxes in excess of \$7.5 million. The tribe claims it is entitled to refunds of motor fuels tax collected on fuel sold to tribal retailers during years prior to the Idaho Supreme Court decision in *Goodman Oil Co. of Lewiston v. Idaho State Tax Com'n*, 136 Idaho 53 (2001).

The State Tax Commission is currently considering an administrative refund claim by a financial institution for \$2.7 million involving the proper sourcing of intangibles

for the sales factor and the property factor used to apportion income to Idaho. The identity of the taxpayer is confidential pursuant to state law.

The State is also a defendant in numerous legal proceedings pertaining to matters incidental to the performance of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of state and federal laws. The State is unable to estimate the ultimate outcome or liability, if any, in respect to the various proceedings. However, the State believes that any ultimate liability resulting from these suits will not have a material effect on the financial condition of the State.

Revenue from federal grants includes amounts for the recovery of overhead and other costs. The State may be required to make refunds of federal reimbursements as a result of audits. The State's opinion is that these refunds, if any, will not have a significant effect on the financial position of the State.

#### ***Component Units***

The Idaho Life and Health Insurance Guaranty Association has not assessed or accrued for all potential reinsurance or claim liabilities for certain insolvent insurers. The total liability relating to these insolvencies is not yet determined. However, management's best estimate of the future unrecorded reinsurance liability is \$3.2 million for Executive Life. Assessments for the liabilities will be made in future periods as amounts become due, if necessary.

In July 2004 the University of Idaho Foundation initiated a lawsuit against the original developer of the University Place project. The Foundation seeks to recover approximately \$7.0 million in damages. In November 2006 an Idaho court ruled that the Foundation has a contractual obligation under a reconciliation agreement; the Foundation has appealed the court's ruling to the Idaho Supreme Court.

#### **B. Commitments**

At June 30, 2007, commitments consist of the following:

##### ***Primary Government***

The Public Employee Retirement System of Idaho has a total of \$532.4 million in outstanding commitments for investments to private equity partnerships.

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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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The Department of Administration has a total of \$336.2 million in outstanding commitments for capital asset-related construction projects underway at year-end.

The Idaho Transportation Department (ITD) has a total of \$268.1 million in outstanding commitments for infrastructure and \$7.5 million for other capital asset-related construction projects underway at year-end. In addition, the ITD has a commitment to repay Idaho Housing and Finance Association \$194.3 million in principal and \$91.5 million in interest related to Grant Anticipation Revenue Vehicle (GARVEE) Bonds for construction costs to improve and enhance the State's highway infrastructure. During fiscal year 2007 ITD borrowed \$28.4 million against the total; of that amount, \$2.4 million has been repaid, resulting in a \$25.9 million liability being recorded. Details can be found in Note 12.

The colleges and universities estimate costs of \$123.9 million to complete a variety of capital asset-related construction projects underway at year-end.

The Department of Environmental Quality (DEQ) administers two revolving loan funds. The funds provide a financing source for the construction of publicly owned wastewater and drinking water treatment facilities. As of June 30, 2007, the Clean Water Loan fund had loan commitments of \$58.2 million that are funded with approximately 80 percent federal funds and 20 percent state matching dollars. The Drinking Water Loan fund had \$27.2 million of loan commitments that are funded with approximately 80 percent federal funds and 20 percent state matching dollars. DEQ also has committed to various contracts addressing pollution remediation, best management practice implementation, and other environmental projects totaling \$3.1 million.

The Department of Correction has a contract with Correctional Corporation of America to operate a 1,250-plus bed prison. The contract expires July 1, 2009. The estimated cost for fiscal year 2008 is \$24.1 million. The Department has a contract until July 12, 2008, with Correctional Medical Services, Inc. to provide medical services for inmates. The estimated cost for fiscal year 2008 is approximately \$20.5 million. The Department has a contract with Geo Group to house a minimum of

429 inmates out of state. The contract expires July 20, 2008, and is estimated to cost \$8.0 million.

The Department of Juvenile Corrections contracts with various private juvenile placement providers for care and rehabilitation services. Contract daily rates range from \$90 to \$360 per day. The estimated cost for fiscal year 2008 is \$12.4 million.

The Department of Parks and Recreation has a total of \$11.8 million in outstanding commitments for capital asset-related construction projects underway at year-end.

The Department of Fish and Game has a contract with Outdoor Central to facilitate selling hunting and fishing licenses. The contract will expire March 2012 and the total estimated cost is \$9.5 million. The Department also has a total of \$3.5 million in outstanding commitments for other capital asset-related construction projects underway at year-end.

The Dairy Products Commission annually commits to participate in a national advertising pool administered by Dairy Management, Inc. By contractual agreement, the Commission's 2007 advertising pool commitment will not exceed \$5.5 million.

The State Board of Education has a contract with Data Recognition Corporation to provide testing services to Idaho students through 2012 for \$37.2 million.

The State Lottery contracted with INTRALOT, Inc. through February 18, 2014, to pay 1.98 percent of total net sales; a \$173,000 one-time fee; and a \$4,306 monthly fee for a wireless tablet-reporting system to be used by Lottery's regional sales representatives.

***Component Units***

Idaho Housing and Finance Association has commitments to purchase \$31.5 million of single-family mortgages.

The Bronco Athletic Association has guaranteed a loan made to Boise State University, the proceeds of which were used in connection with the University's stadium expansion. Maximum borrowing available pursuant to the loan is \$5.0 million. The balance outstanding at June 30, 2007, is \$3.1 million.



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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2007**

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**NOTE 16. SUBSEQUENT EVENTS**

Subsequent to June 30, 2007, the following events occurred:

***Primary Government***

On July 2, 2007, the Office of the State Treasurer issued Tax Anticipation Notes in the amount of \$400.0 million. The Notes were issued to cover temporary cash flow shortfalls and to finance the State's daily operations in anticipation of certain tax revenues of the State to be collected during the fourth quarter of the 2008 fiscal year. The Notes mature on June 30, 2008.

In August 2007 Idaho State University issued General Revenue Bonds, Series 2007 in the amount of \$16.1 million. The bonds were issued to finance the costs to renovate and construct additions to an existing recreation facility and to finance the purchase and renovation of a portion of a building in Meridian, Idaho to be used for instructional purposes.

During fiscal year 2007 the Endowment Fund Investment Board (EFIB) became aware of a federal law, the Morrill Act (Title 7, Chapter 13 of United States Code), that places restrictions on Idaho's Agricultural College Endowment. State statute does not include the same restrictions; therefore, the endowment funds, including the Agricultural College, had been invested in activities contrary to the Morrill Act. After reviewing the discrepancy between state and federal law, the EFIB invested the Agricultural College Endowment fund only in bonds allowed under the Morrill Act and began to pursue federal legislation to align federal law with state law. In June 2007 the EFIB transferred \$20.8 million to a separately managed account invested only in bonds

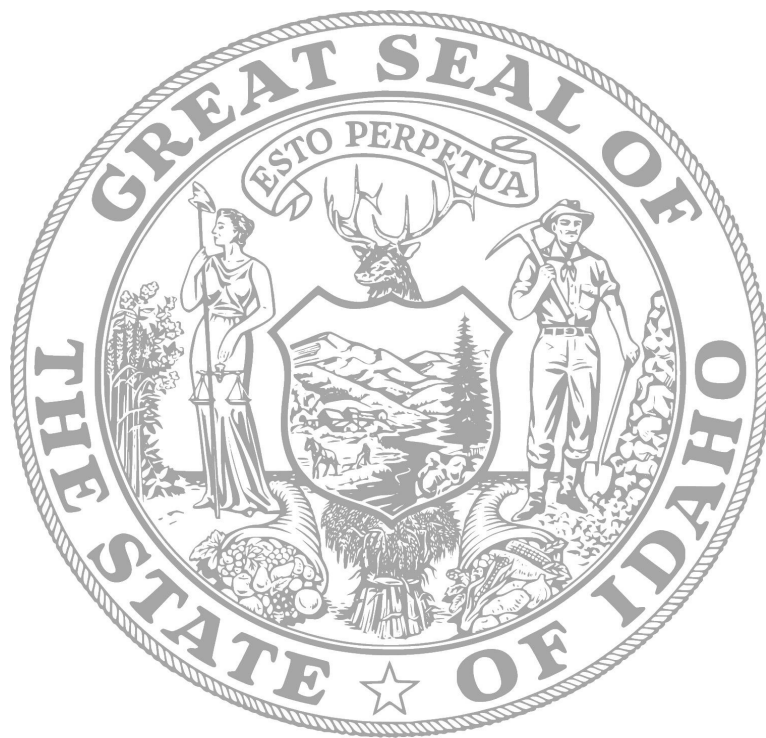
permitted under the Morrill Act. On August 13, 2007, federal legislation was enacted that permits the Idaho Agricultural College Endowment fund to invest in assets other than bonds that are in accordance with Idaho law and removes the prohibition on paying expenses from the endowment. In August 2007 the EFIB liquidated the bond investments and moved all Agricultural College funds back to the general endowment pool.

***Component Units***

On July 1, 2007, the Idaho Housing and Finance Association issued Single-Family Mortgage Bonds 2007 Series F in the amount of \$75.0 million. On August 1, 2007, the Association issued Single-Family Mortgage Bonds 2007 Series G in the amount of \$75.0 million. On September 1, 2007, the Association issued Single-Family Mortgage Bonds 2007 Series I in the amount of \$60.0 million. Write-offs related to the Association's July 1, 2007, bond redemptions were \$0.5 million.

On November 1, 2007, the Idaho Bond Bank Authority issued revenue bonds in the amount of \$11.7 million. Proceeds of the bonds will be used to make loans to Idaho municipalities and political subdivisions to finance public capital improvements.

The Ideal Idaho College Savings Program Board management agreement with TIAA-CREF Tuition Financing, Inc. (TFI), expired on March 21, 2006. In connection with the transition to the new program manager, TFI's term as program manager was extended to November 30, 2007.



# REQUIRED SUPPLEMENTARY INFORMATION



Photo Sources: Amy Wang, Marion Demer, and the Idaho Department of Parks and Recreation

## EAGLE ISLAND STATE PARK

In an unassuming spot in the middle of the thriving city of Eagle, a beautiful retreat is nestled along the Boise River. Eagle Island State Park is just eight miles west of Boise and offers the perfect summer afternoon getaway.

The park was established in 1977 when the Idaho Department of Correction turned over the land that previously had been used for the Eagle Island Prison Farm to the Idaho Department of Lands. As the result of a public poll, the Land Board voted to set aside land for Eagle Island State Park.

A haven for outdoor enthusiasts, the 545-acre day-use park offers a variety of activities. Multi-use trails for horseback riding, hiking, and biking; a popular swimming beach; superb picnic areas; volleyball and horseshoe pits; and a waterslide are just some of the attractions for people of all ages to enjoy. The park is bordered on the north and south by two forks of the Boise River, providing an excellent area for fishing.

Plans for Eagle Island's future include an aquatic education center, a research area, an amphitheater, a campground, a visitor's center, and passageways for kayaks and canoes. Eagle Island State Park is Idaho's own Central Park in the making.



Data Sources:

<http://parksandrecreation.idaho.gov/parks/eagleisland.aspx>  
<http://www.ohwy.com/id/e/eagleisp.htm>

**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund and Major Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2007**  
*(dollars in thousands)*

	General			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
<b>REVENUES</b>				
Sales Tax	\$1,268,063	\$1,268,063	\$1,268,063	-
Individual and Corporate Taxes	1,841,791	1,841,791	1,841,791	-
Other Taxes	62,340	62,340	62,340	-
Licenses, Permits, and Fees	16,747	16,747	16,747	-
Sale of Goods and Services	27,892	27,892	27,892	-
Grants and Contributions	3,478	3,478	3,478	-
Investment Income	41,027	41,027	41,027	-
Tobacco Settlement	23,712	23,712	23,712	-
Other Income	13,400	13,400	13,400	-
<b>Total Revenues</b>	<b>3,298,450</b>	<b>3,298,450</b>	<b>3,298,450</b>	
<b>EXPENDITURES</b>				
General Government	707,493	718,952	642,953	\$75,999
Public Safety and Correction	231,068	231,695	221,486	10,209
Health and Human Services	30,239	30,239	28,371	1,868
Education	1,538,335	1,794,704	1,757,403	37,301
Economic Development	46,976	46,990	30,606	16,384
Natural Resources	56,388	56,407	46,279	10,128
<b>Total Expenditures</b>	<b>\$2,610,499</b>	<b>\$2,878,987</b>	<b>2,727,098</b>	<b>\$151,889</b>
<b>Revenues Over (Under) Expenditures</b>			<b>571,352</b>	
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets			352	
Transfers In			165,914	
Transfers Out			(792,364)	
<b>Total Other Financing Sources (Uses)</b>			<b>(626,098)</b>	
<b>Revenues and Other Financing Sources Over (Under)</b>			<b>(54,746)</b>	
<b>Expenditures and Other Financing Uses</b>				
<b>Reconciling Items</b>				
Changes Affected by Accrued Revenues			(164,031)	
Changes Affected by Accrued Expenditures			528,180	
<b>Fund Balances - Beginning of Year</b>			<b>786,049</b>	
<b>Fund Balances - End of Year</b>			<b>\$1,095,452</b>	

Health and Welfare				Transportation			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$1,809	\$1,809	\$1,809	-	\$224,603	\$224,603	\$224,603	-
4,171	4,171	4,171	-	120,379	120,379	120,379	-
79,603	79,603	79,603	-	4,229	4,229	4,229	-
1,021,310	1,021,310	1,021,310	-	298,891	298,891	298,891	-
598	598	598	-	4,411	4,411	4,411	-
471	471	471	-	989	989	989	-
1,107,962	1,107,962	1,107,962		653,502	653,502	653,502	
1,694,321	1,658,621	1,608,868	\$49,753	752,143	754,617	623,660	\$130,957
\$1,694,321	\$1,658,621	1,608,868	\$49,753	\$752,143	\$754,617	623,660	\$130,957
		(500,906)				29,842	
		63				5,678	
		494,595					
		(142)				(16,608)	
		494,516				(10,930)	
		(6,390)				18,912	
		139,966				9,432	
		(106,508)				860	
		2,308				105,228	
		\$29,376				\$134,432	

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**Required Supplementary Information  
For the Fiscal Year Ended June 30, 2007**

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**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**

**Budgetary Process and Control**

Budgets are adopted in accordance with *Idaho Code*, Title 67, Chapter 35. In September of each year, state agencies submit requests for appropriations to the Governor's Office, Division of Financial Management (DFM), so an executive budget may be prepared. The budget is generally prepared by agency, fund, program, and object and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. Legal level of budgetary control is maintained at the same level of detail as appropriated. Appropriated funds include the General Fund, special revenue funds, the capital projects fund, enterprise funds, internal service funds, earnings of the permanent funds, and pension trust funds. The appropriated funds are either appropriated annually or on a continuous basis. For those funds appropriated on a continuous basis appropriation equals expenditures, which can be made to the extent of available cash. Unexpended appropriation balances generally lapse at fiscal year-end unless reappropriated by the Legislature. Appropriations are subject to the provisions of *Idaho Code*, Title 67, Chapter 36.

The Governor's budget recommendations are presented to the Legislature within the first five days of each regular legislative session, which begins in January. The Joint Finance and Appropriations Committee reviews the Governor's recommended budget, makes amendments, and prepares the annual appropriation bills for submission to both houses of the Legislature. A simple majority vote by both houses of the Legislature is required to pass the appropriation bills. The appropriation bills become the State's authorized operating budget upon the Governor's signature, or if allowed, become law without the Governor's signature.

Agencies may request additional appropriations for the current year, which may be granted under authority of the Legislature. If expenditures are expected to exceed available cash, the State Board of Examiners (SBE) may authorize reduction of a portion of the General Fund appropriation. The Governor may issue an executive order for temporary reduction of spending authority, which is recorded in the accounting system as a negative supplemental appropriation. The Governor may call extraordinary sessions as provided by Article IV, Section 9 of the *Idaho Constitution*.

Limitations exist regarding the extent to which management may modify an appropriation. At no time, without legislative authority, may an appropriation be

transferred from one fund to another. The following adjustments may be made, with the appropriate approval:

*Idaho Code*, Section 67-3511(1), allows agencies to transfer spending authority between objects within a fund and program, with the exception of personnel costs. Appropriations for personnel costs may be transferred to other objects, but appropriations for other costs may not be transferred to personnel. Per *Idaho Code*, Section 67-3511(3), appropriations for capital outlay may not be used for any other purpose, but appropriations for other objects may be transferred to capital outlay. The SBE must approve object transfers.

*Idaho Code*, Section 67-3511(2), allows agencies to transfer spending authority from one program to another within an agency, provided the transfer is not more than 10 percent cumulative change from the appropriated amount for any program affected by the transfer. DFM and the SBE must approve these transfers. The Legislature must approve transfers above 10 percent cumulative change.

Should any change occur that is not within the described limitations, legal compliance is not achieved.

**Budgetary Basis of Accounting**

The State's legal budget is prepared using cash basis records. Revenues are generally recognized when cash is received. Expenditures are recorded when the related cash disbursement occurs. Encumbrances are allowed for budgetary control purposes. Fund balances are reserved for obligations incurred for goods or services that have not been received. Encumbrances may be carried over to the next fiscal year with the approval of the DFM. The Budgetary Comparison Schedule is prepared on the budgetary basis and includes this variation from generally accepted accounting principles. The original budget amount represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations, Governor's holdbacks, Board of Examiners reductions, object transfers, actual transfers, and receipts to the appropriation. The reconciliation at the bottom of the budget and actual schedule shows the difference between the budgetary basis and GAAP.

The State does not adopt a revenue budget. For financial reporting purposes, the budget and actual schedule reflects budgeted revenues as being equal to actual revenues.

## Required Supplementary Information For the Fiscal Year Ended June 30, 2007

The State issues a separate Legal Basis Financial Report, which demonstrates legal compliance with the budget. A copy of this report may be obtained by contacting the Office of the State Controller, P.O. Box 83720, Boise,

Idaho, 83720, or may be viewed online at [www.sco.idaho.gov](http://www.sco.idaho.gov). Look under “Accounting,” and then “Financial Reports and Public Information.”

### INFRASTRUCTURE – MODIFIED APPROACH REPORTING

Under GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, governments are allowed an alternative to depreciation for their infrastructure assets, referred to as the modified approach. Using the modified approach, governments report maintenance and preservation expenses and do not report depreciation expense on qualifying assets. In order to use the modified approach, the government must manage the infrastructure assets using an asset management system and maintain those assets at established condition levels. The asset management system must meet all of the following requirements:

- Maintain an up-to-date inventory of eligible infrastructure assets
- Perform condition assessments of eligible assets and summarize the results using a measurement scale
- Annually estimate the cost to maintain and preserve the assets at the condition level established
- Document the condition level at which the assets are being actually preserved and maintained

The State of Idaho has chosen to use the modified approach in reporting the roadway network, which consists of approximately 11,877 lane miles.

#### Measurement Scale

The Idaho Transportation Department (ITD) determines the condition of the State’s roadway surfaces by use of the Pavement Management System. The roadway surface condition is determined using two pavement-condition data elements, road roughness and pavement distress, collected as follows:

*Road Roughness* is a primary indicator of pavement serviceability or the ability of a pavement to meet the demands and expectations of motorists. In Idaho, the public’s perception of the state highway system is very important. For that reason, a roughness index (RI) was adopted that correlates the longitudinal profile of the road surface to an index based upon the public’s perception of road

roughness. The RI ranges from 0.0 (extremely rough) to 5.0 (smooth).

A South Dakota-type profilometer is currently used by ITD to measure pavement roughness. This instrument uses laser sensors and personal computers and is mounted in a vehicle that travels at normal speeds and collects and stores road-profile information at one-foot intervals. Longitudinal profiles of all pavement management sections (PMS) statewide are obtained annually.

*Pavement Distress (Cracking)* is another important indicator of pavement condition. The video-inspection vehicle used to collect profile information also collects pavement video of the entire state highway system each year. The pavement management engineer then uses this video or actual field observations to determine the type, extent, and severity of cracking within each PMS. Based upon this input, a cracking index (CI) is calculated for each section. The CI rating is very similar to the RI with 5.0 corresponding to a section with little or no cracking and 0.0 representing a section with severe cracking.

Pavement surface condition assessment is dependent upon functional classification and is divided into two categories: interstates and arterials, and collectors. Pavement surface condition is determined by applying the lower of the CI or RI to the measurement ranges shown in the following table:

Pavement Condition	Interstates and Arterials	Collectors
	Lower Index of Cracking (CI) or Roughness (RI)	
Good	(CI or RI) > 3.0	(CI or RI) > 3.0
Fair	≥ 2.5 (CI or RI) ≤ 3.0	≥ 2.0 (CI or RI) ≤ 3.0
Poor	≥ 2.0 (CI or RI) < 2.5	≥ 1.5 (CI or RI) < 2.0
Very Poor	(CI or RI) < 2.0	(CI or RI) < 1.5

#### Established Condition Level

The ITD has established the condition level that no more than 18 percent of pavement shall be in poor or very poor

## Required Supplementary Information For the Fiscal Year Ended June 30, 2007

condition. In fiscal year 2006 the assessed level was maintained at 20 percent. Idaho has seen a dramatic increase in the cost of construction materials, which

limits the amount of pavement restoration that can be accomplished with the same funding.

### Assessed Condition Ratings of State Roadways

Most Recent Five Complete Condition Assessments Percent of Total Lane Miles per Pavement Condition										
	2006		2005		2004		2003		2002	
Good	7,318	61%	7,364	62%	7,154	60%	7,196	61%	7,267	61%
Fair	2,223	19%	2,244	19%	2,453	21%	2,691	23%	2,801	24%
Poor	1,879	16%	1,772	15%	1,735	15%	1,435	12%	1,170	10%
Very Poor	457	4%	494	4%	510	4%	497	4%	593	5%
<b>Total Lane Miles</b>	<b>11,877</b>	<b>100%</b>	<b>11,874</b>	<b>100%</b>	<b>11,852</b>	<b>100%</b>	<b>11,819</b>	<b>100%</b>	<b>11,831</b>	<b>100%</b>

### Estimated and Actual Costs to Maintain

The information below reflects the State's estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level, and the actual amount spent during the past six fiscal years (*dollars in thousands*):

	<b>FY2008</b>	<b>FY2007</b>	<b>FY2006</b>	<b>FY2005</b>	<b>FY2004</b>	<b>FY2003</b>	<b>FY2002</b>
Estimated	\$90,800	\$88,200	\$69,200	\$67,156	\$65,200	\$63,922	\$62,000
Actual		79,301	69,502	79,310	81,058	78,133	57,260

Estimated costs exceeded actual costs in fiscal year 2007 by 11.2 percent.



### PENSION – Schedule of Funding Progress

Judges' Retirement Fund (*dollars in thousands*):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2) - (1)	Funded Ratios (1) : (2)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (3) : (5)
6/30/05	\$54,036	\$61,548	\$7,512	87.8%	\$4,799	157
6/30/06	57,836	64,529	6,693	89.6%	5,297	126
6/30/07	65,342	69,797	4,455	93.6%	5,669	79



# COMBINING FINANCIAL STATEMENTS

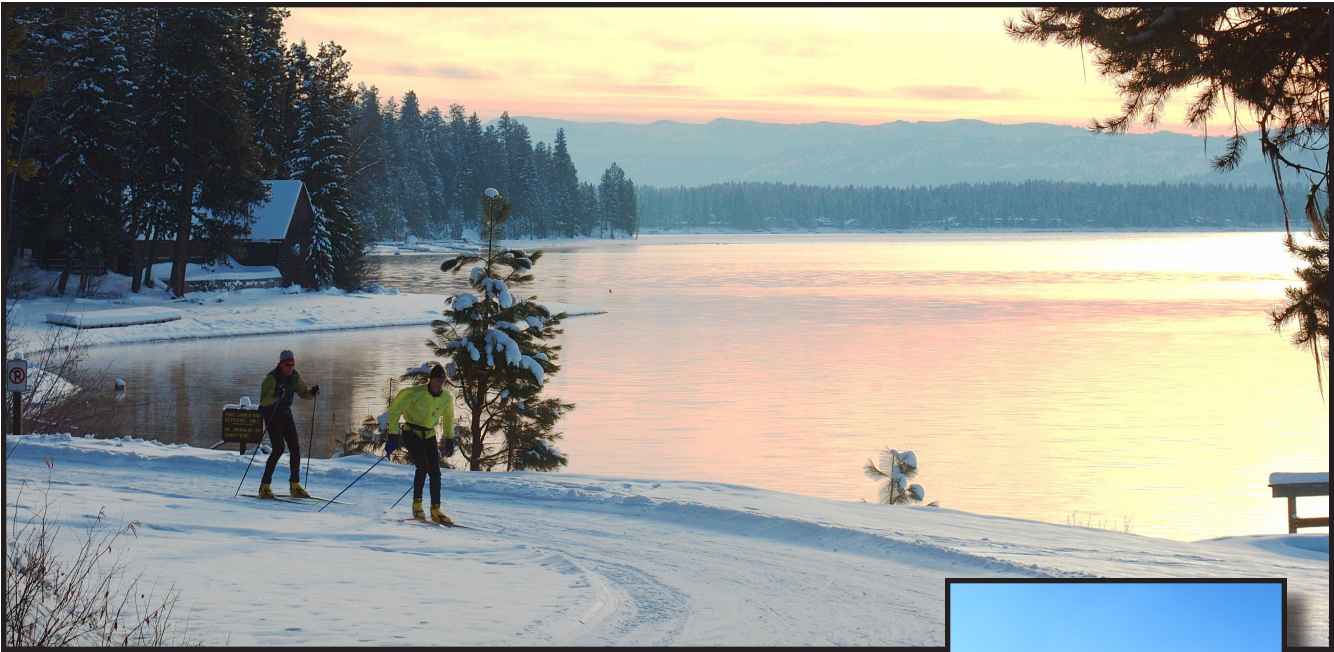


Photo Sources: Idaho Department of Parks and Recreation and Shelia Hudson

## PONDEROSA STATE PARK

Ponderosa State Park is truly a water paradise in the summer and a winter wonderland during the cold months. Near McCall, Ponderosa State Park covers most of the peninsula that juts into Payette Lake.

This 1,000 acre state park is named for the Ponderosa Pine. The most noticeable type of tree found in the park, the Ponderosa Pine, stands up to 150 feet tall. Topography ranges from arid sagebrush flats to dense forests. The park offers 6.5 miles of nature trails rich with wildflowers and some gravel roads. Visitors can view Canada geese, osprey, bald eagles, wood ducks, mallards, songbirds, deer, moose, beaver, muskrats, and even bear.

Summer activities include camping, boating, canoeing, and kayaking. The North Beach Unit is the largest public beach on Payette Lake. In winter, visitors can enjoy 3.4 miles of designated snowshoe trails. The park has 14.3 miles of groomed Nordic ski trails that range from recreational to competition and can accommodate all abilities. The park boasts two United States Ski Association certified cross-country courses. Ponderosa State Park and the community of McCall will host the prestigious 2008 Masters World Cup Nordic ski event.

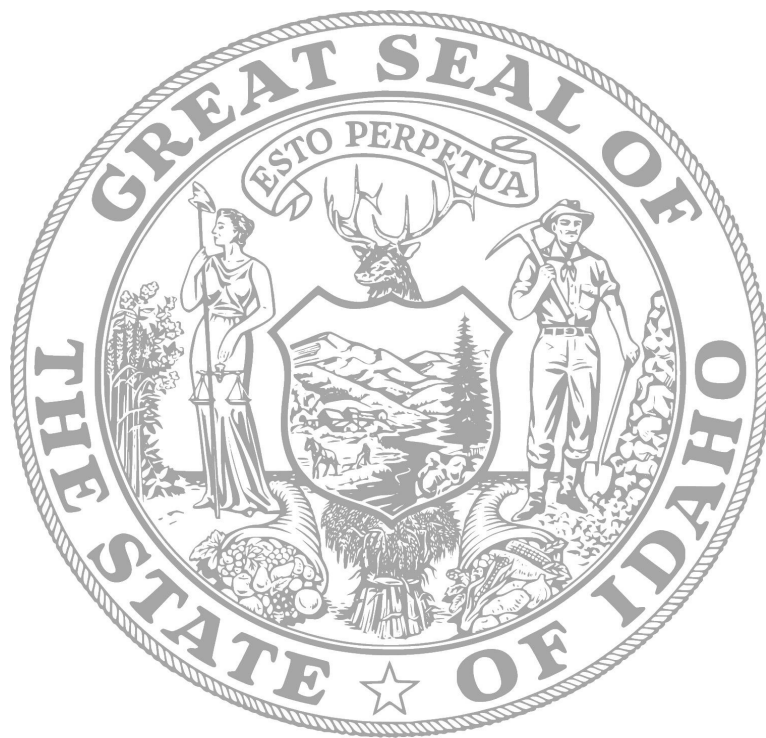
Ponderosa Park is truly a beautiful place to experience Idaho's natural bounty.

Data Sources:

<http://www.stateparks.com/ponderosa.html>

<http://parksandrecreation.idaho.gov/parks/ponderosa.aspx>





**NONMAJOR GOVERNMENTAL FUNDS** include special revenue funds and a capital projects fund. The following provides a brief description of the nonmajor governmental funds.

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**NONMAJOR SPECIAL REVENUE FUNDS** account for specific revenues designated to finance specific functions of government.

**The AGRICULTURE AND NATURAL RESOURCES FUND** accounts for the financial position and operations associated with the maintenance, preservation, and regulation of the State's parks, water, air, and agricultural resources. Funding is provided by dedicated user fees, the sale of goods and services, federal grants, and various other sources.

**The REGULATORY FUND** accounts for the financial position and operations associated with various professional licensing and monitoring functions. The major sources of funding are taxes and license fees.

**The FISH AND GAME FUND** accounts for the financial position and operations associated with enforcing and administering the fish and game laws in Idaho and to perpetuate and manage the State's wildlife resources. The major sources of funding are dedicated user fees and federal grants.

**The FEDERAL FUND** accounts for a portion of the financial position and operations associated with federal grants received by the State. Federal grants are also included in other funds of the State.

**The MISCELLANEOUS FUND** accounts for the financial position and operations associated with general government services where the major sources of funding are provided by the sale of goods and services, miscellaneous taxes, and other revenues.

**The BUILDING AUTHORITY** accounts for the financial position and operations associated with the construction and financing of facilities, such as office buildings and parking garages to be used by the State. The major source of funding is provided by the sale of goods and services and bonds issued. The Building Authority is a blended component unit.

**CAPITAL PROJECTS FUNDS** account for specific revenues designated to finance construction of capital assets.

**The TRANSPORTATION INFRASTRUCTURE FUND** accounts for the financial position and operations associated with the construction and financing of roads, bridges, and rest areas. The major source of funding is provided by federal highway funds and a note issued.

*State of Idaho*

**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2007**  
*(dollars in thousands)*

	Special Revenue			
	Agriculture and Natural Resources	Regulatory	Fish and Game	Federal
<b>ASSETS</b>				
Cash and Cash Equivalents	\$4,797	\$449		
Pooled Cash and Investments	12,470	57,007	\$7,806	\$6,689
Investments	11,041	934	3,022	6,972
Accounts Receivable, Net	2,590	34	99	
Taxes Receivable, Net	1,739			
Interfund Receivables	2,170	12	49	125
Due from Other Entities	4,076		8,001	23,086
Inventories and Prepaid Items	2,023	638	7,276	1,508
Loans, Notes, and Pledges Receivable, Net	9,026	29	10	
Other Assets	394	7	87	54
Restricted Assets:				
Cash and Cash Equivalents	42,169	526	3,299	2,166
Investments			8,934	
<b>Total Assets</b>	<b>\$92,495</b>	<b>\$59,636</b>	<b>\$38,583</b>	<b>\$40,600</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$5,575	\$42		\$12,941
Payroll and Related Liabilities	1,610	934	\$1,458	2,534
Interfund Payables	645	19	13	3,517
Due to Other Entities	6			
Deferred Revenue	3,086	645	169	2,533
Amounts Held in Trust for Others	1,680	1	5	
Other Accrued Liabilities	1,104	481	1,945	371
<b>Total Liabilities</b>	<b>13,706</b>	<b>2,122</b>	<b>3,590</b>	<b>21,896</b>
<b>Fund Balances</b>				
Reserved for:				
Bond Retirement				
Encumbrances	5,656	581	2,678	6,726
Inventories and Prepaid Items	2,023	638	7,276	1,508
Noncurrent Receivables	11,196	29		
Permanent Trusts				
Other Purposes	8,723	526	12,050	
Unreserved, Reported in:				
Special Revenue Funds	51,191	55,740	12,989	10,470
Capital Projects				
<b>Total Fund Balances</b>	<b>78,789</b>	<b>57,514</b>	<b>34,993</b>	<b>18,704</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$92,495</b>	<b>\$59,636</b>	<b>\$38,583</b>	<b>\$40,600</b>

Capital Projects			
Miscellaneous	Building Authority	Transportation Infrastructure	Total
\$2,837	\$2,511		\$10,594
69,231		\$25	153,228
14,823			36,792
6,105		4,641	13,469
1,312			3,051
306			2,662
			35,163
1,162	18		12,625
2,000			11,065
124	615		1,281
3,267	136,280		187,707
3,999			12,933
\$105,166	\$139,424	\$4,666	\$480,570
\$1,760	\$2,910	\$4,641	\$27,869
1,649			8,185
102			4,296
			6
4,063	6,998		17,494
7			1,693
233	1,768		5,902
7,814	11,676	4,641	65,445
	124,023		124,023
728			16,369
1,162	18		12,625
2,062			13,287
2,689			2,689
4,346			25,645
86,365	3,707		220,462
		25	25
97,352	127,748	25	415,125
\$105,166	\$139,424	\$4,666	\$480,570

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

## Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2007

(dollars in thousands)

	Special Revenue			
	Agriculture and Natural Resources	Regulatory	Fish and Game	Federal
<b>REVENUES</b>				
Sales Tax	\$4,800			
Other Taxes	29,956	\$74,798		
Licenses, Permits, and Fees	31,206	49,951	\$34,020	
Sale of Goods and Services	3,675	1,828	260	\$459
Grants and Contributions	32,333	52	31,865	347,222
Investment Income	2,310	300	1,252	747
Other Income	2,447	743	3,600	658
<b>Total Revenues</b>	<b>106,727</b>	<b>127,672</b>	<b>70,997</b>	<b>349,086</b>
<b>EXPENDITURES</b>				
Current:				
General Government		2,318		35,812
Public Safety and Correction		2,613		8,446
Health and Human Services				
Education				206,892
Economic Development	35,352	42,215	117	55,282
Natural Resources	60,502	845	61,389	6,697
Capital Outlay	9,594	978	3,504	5,414
Intergovernmental Revenue Sharing	10,764			41,582
Debt Service:				
Principal Retirement	57		300	
Interest and Other Charges	17		453	
<b>Total Expenditures</b>	<b>116,286</b>	<b>48,969</b>	<b>65,763</b>	<b>360,125</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(9,559)</b>	<b>78,703</b>	<b>5,234</b>	<b>(11,039)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and Notes Issued				
Premium on Bonds Issued				
Payment to Refunded Bond Escrow Agent				
Sale of Capital Assets	401	114	265	50
Transfers In	16,835		8	3,059
Transfers Out	(8,691)	(68,766)	(140)	(325)
<b>Total Other Financing Sources (Uses)</b>	<b>8,545</b>	<b>(68,652)</b>	<b>133</b>	<b>2,784</b>
<b>Net Change in Fund Balances</b>	<b>(1,014)</b>	<b>10,051</b>	<b>5,367</b>	<b>(8,255)</b>
<b>Fund Balances - Beginning of Year</b>	<b>79,803</b>	<b>47,463</b>	<b>29,626</b>	<b>26,959</b>
<b>Fund Balances - End of Year</b>	<b>\$78,789</b>	<b>\$57,514</b>	<b>\$34,993</b>	<b>\$18,704</b>

	Capital Projects		
Miscellaneous	Building Authority	Transportation Infrastructure	Total
			\$4,800
\$23,354			128,108
15,929			131,106
27,817	\$17,266		51,305
10,708			422,180
7,045	5,739	\$18	17,411
15,965		4,191	27,604
100,818	23,005	4,209	782,514
5,406	348		43,884
40,378			51,437
267			267
10,247			217,139
39,886		7,308	180,160
1,101			130,534
3,598	18,431	25,249	66,768
9,084			61,430
474	9,015		9,846
162	13,469		14,101
110,603	41,263	32,557	775,566
(9,785)	(18,258)	(28,348)	6,948
	127,090	28,373	155,463
	6,533		6,533
	(4,765)		(4,765)
143			973
24,836	570		45,308
(5,360)			(83,282)
19,619	129,428	28,373	120,230
9,834	111,170	25	127,178
87,518	16,578	0	287,947
\$97,352	\$127,748	\$25	\$415,125

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2007**  
*(dollars in thousands)*

	Special Revenue			
	Agriculture and Natural Resources			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
<b>REVENUES</b>				
Sales Tax	\$4,800	\$4,800	\$4,800	-
Other Taxes	29,684	29,684	29,684	-
Licenses, Permits, and Fees	31,465	31,465	31,465	-
Sale of Goods and Services	2,734	2,734	2,734	-
Grants and Contributions	32,234	32,234	32,234	-
Investment Income	2,044	2,044	2,044	-
Other Income	2,466	2,466	2,466	-
<b>Total Revenues</b>	<b>105,427</b>	<b>105,427</b>	<b>105,427</b>	
<b>EXPENDITURES</b>				
General Government				
Public Safety and Correction	17	17		\$17
Health and Human Services				
Education				
Economic Development	40,153	40,436	36,074	4,362
Natural Resources	114,940	120,506	80,186	40,320
<b>Total Expenditures</b>	<b>\$155,110</b>	<b>\$160,959</b>	<b>116,260</b>	<b>\$44,699</b>
<b>Revenues Over (Under) Expenditures</b>			<b>(10,833)</b>	
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and Notes Issued				
Premium on Bonds Issued				
Payment to Refunded Bond Escrow Agent				
Sale of Capital Assets			401	
Transfers In			16,835	
Transfers Out			(8,691)	
<b>Total Other Financing Sources (Uses)</b>			<b>8,545</b>	
<b>Revenues and Other Financing Sources Over (Under)</b>			<b>(2,288)</b>	
<b>Expenditures and Other Financing Uses</b>				
<b>Reconciling Items</b>				
Changes Affected by Accrued Revenues			1,300	
Changes Affected by Accrued Expenditures			(26)	
<b>Fund Balances - Beginning of Year</b>			<b>79,803</b>	
<b>Fund Balances - End of Year</b>			<b>\$78,789</b>	



*continued*

**Special Revenue**

<b>Regulatory</b>				<b>Fish and Game</b>			
<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget</b>
\$81,004	\$81,004	\$81,004	-				
48,466	48,466	48,466	-	\$34,020	\$34,020	\$34,020	-
1,639	1,639	1,639	-	260	260	260	-
52	52	52	-	28,257	28,257	28,257	-
300	300	300	-	1,164	1,164	1,164	-
731	731	731	-	3,674	3,674	3,674	-
132,192	132,192	132,192		67,375	67,375	67,375	
2,343	2,343	2,343	-				
3,194	3,211	2,679	\$532				
				50	50	46	\$4
49,439	49,575	45,990	3,585	216	216	117	99
2,199	2,199	852	1,347	77,028	80,794	66,002	14,792
\$57,175	\$57,328	51,864	\$5,464	\$77,294	\$81,060	66,165	\$14,895
		80,328				1,210	
		114				265	
		(68,766)				8	
		(68,652)				(140)	
		11,676				133	
						1,343	
		(4,520)				3,622	
		2,895				402	
		47,463				29,626	
		\$57,514				\$34,993	

## Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

## Budget and Actual

## Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2007

(dollars in thousands)

	Special Revenue			
	Federal			Variance with Final Budget
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	
<b>REVENUES</b>				
Sales Tax				
Other Taxes				
Licenses, Permits, and Fees				
Sale of Goods and Services	\$122	\$122	\$122	-
Grants and Contributions	350,443	350,443	350,443	-
Investment Income	615	615	615	-
Other Income	656	656	656	-
<b>Total Revenues</b>	<b>351,836</b>	<b>351,836</b>	<b>351,836</b>	
<b>EXPENDITURES</b>				
General Government	75,451	75,562	50,811	\$24,751
Public Safety and Correction	21,495	23,115	15,343	7,772
Health and Human Services				
Education	227,515	244,150	218,098	26,052
Economic Development	75,272	75,785	66,629	9,156
Natural Resources	19,123	19,918	12,407	7,511
<b>Total Expenditures</b>	<b>\$418,856</b>	<b>\$438,530</b>	<b>363,288</b>	<b>\$75,242</b>
<b>Revenues Over (Under) Expenditures</b>			<b>(11,452)</b>	
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and Notes Issued				
Premium on Bonds Issued				
Payment to Refunded Bond Escrow Agent				
Sale of Capital Assets			50	
Transfers In			3,059	
Transfers Out			(325)	
<b>Total Other Financing Sources (Uses)</b>			<b>2,784</b>	
<b>Revenues and Other Financing Sources Over (Under)</b>			<b>(8,668)</b>	
<b>Expenditures and Other Financing Uses</b>				
<b>Reconciling Items</b>				
Changes Affected by Accrued Revenues			(2,750)	
Changes Affected by Accrued Expenditures			3,163	
<b>Fund Balances - Beginning of Year</b>			<b>26,959</b>	
<b>Fund Balances - End of Year</b>			<b>\$18,704</b>	

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*continued*

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**Special Revenue**

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Miscellaneous				Building Authority			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$17,295	\$17,295	\$17,295	-				
15,800	15,800	15,800	-				
22,235	22,235	22,235	-	\$17,266	\$17,266	\$17,266	-
7,726	7,726	7,726	-				-
7,005	7,005	7,005	-	5,739	5,739	5,739	-
14,100	14,100	14,100	-				
84,161	84,161	84,161		23,005	23,005	23,005	
8,658	8,799	5,657	\$3,142	41,263	41,263	41,263	-
53,771	53,930	47,753	6,177				
267	267	267	-				
9,385	14,325	11,257	3,068				
58,068	58,093	45,226	12,867				
3,193	3,199	1,135	2,064				
\$133,342	\$138,613	111,295	\$27,318	\$41,263	\$41,263	41,263	
		(27,134)				(18,258)	
						127,090	
						6,533	
						(4,765)	
		143					
		24,836				570	
		(5,360)					
		19,619				129,428	
		(7,515)				111,170	
		16,657					
		692					
		87,518				16,578	
		\$97,352				\$127,748	

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2007**  
*(dollars in thousands)*

	Capital Projects			
	Transportation Infrastructure			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
<b>REVENUES</b>				
Sales Tax				
Other Taxes				
Licenses, Permits, and Fees				
Sale of Goods and Services				
Grants and Contributions				
Investment Income	\$18	\$18	\$18	-
Other Income				
<b>Total Revenues</b>	<u>18</u>	<u>18</u>	<u>18</u>	
<b>EXPENDITURES</b>				
General Government				
Public Safety and Correction				
Health and Human Services				
Education				
Economic Development	28,366	28,366	28,366	-
Natural Resources				
<b>Total Expenditures</b>	<u>\$28,366</u>	<u>\$28,366</u>	<u>28,366</u>	
<b>Revenues Over (Under) Expenditures</b>			<u>(28,348)</u>	
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds and Notes Issued			28,373	
Premium on Bonds Issued				
Payment to Refunded Bond Escrow Agent				
Sale of Capital Assets				
Transfers In				
Transfers Out				
<b>Total Other Financing Sources (Uses)</b>			<u>28,373</u>	
<b>Revenues and Other Financing Sources Over (Under)</b>			<u>25</u>	
<b>Expenditures and Other Financing Uses</b>				
<b>Reconciling Items</b>				
Changes Affected by Accrued Revenues			4,191	
Changes Affected by Accrued Expenditures			(4,191)	
<b>Fund Balances - Beginning of Year</b>			<u>0</u>	
<b>Fund Balances - End of Year</b>			<u>\$25</u>	

Total			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$4,800	\$4,800	\$4,800	-
127,983	127,983	127,983	-
129,751	129,751	129,751	-
44,256	44,256	44,256	-
418,712	418,712	418,712	-
16,885	16,885	16,885	-
21,627	21,627	21,627	-
764,014	764,014	764,014	
127,715	127,967	100,074	\$27,893
78,477	80,273	65,775	14,498
267	267	267	-
236,950	258,525	229,401	29,124
251,514	252,471	222,402	30,069
216,483	226,616	160,582	66,034
\$911,406	\$946,119	778,501	\$167,618
		(14,487)	
		155,463	
		6,533	
		(4,765)	
		973	
		45,308	
		(83,282)	
		120,230	
		105,743	
		18,500	
		2,935	
		287,947	
		\$415,125	

## Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

## Budget and Actual

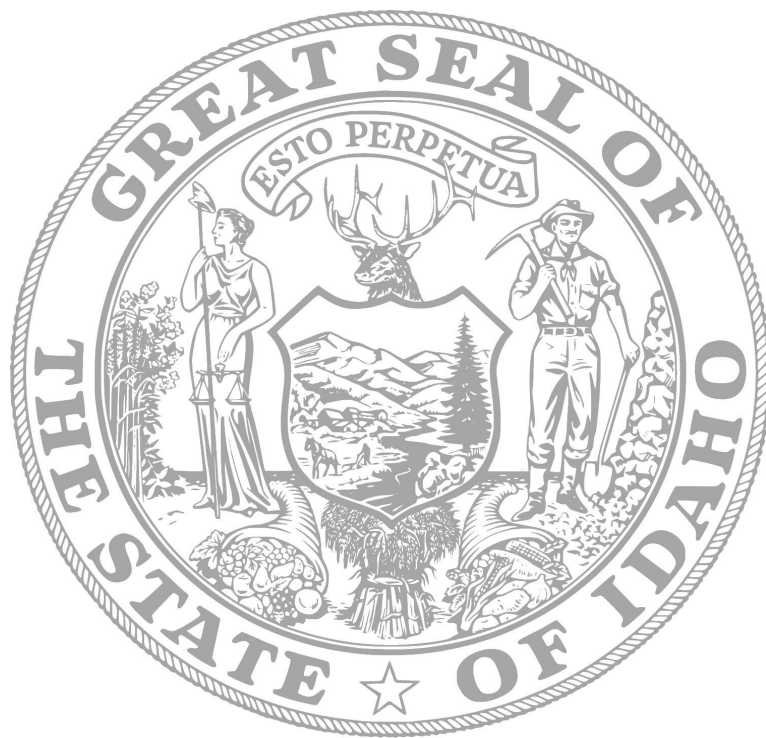
## Major Permanent Funds

For the Fiscal Year Ended June 30, 2007

(dollars in thousands)

	Public School Endowment			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
<b>REVENUES</b>				
Sale of Goods and Services	\$45,781	\$45,781	\$45,781	-
Investment Income	108,152	108,152	108,152	-
<b>Total Revenues</b>	<u>153,933</u>	<u>153,933</u>	<u>153,933</u>	
<b>EXPENDITURES</b>				
Natural Resources	17,805	17,889	15,338	\$2,551
<b>Total Expenditures</b>	<u>\$17,805</u>	<u>\$17,889</u>	<u>15,338</u>	<u>\$2,551</u>
<b>Revenues Over (Under) Expenditures</b>			<u>138,595</u>	
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In			5,429	
Transfers Out			(24,648)	
<b>Total Other Financing Sources (Uses)</b>			<u>(19,219)</u>	
<b>Revenues and Other Financing Sources Over (Under)</b>			119,376	
<b>Expenditures and Other Financing Uses</b>				
<b>Fund Balances - Beginning of Year</b>			<u>644,173</u>	
<b>Fund Balances - End of Year</b>			<u>\$763,549</u>	

Pooled Endowment				Total			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$30,991	\$30,991	\$30,991	-	\$76,772	\$76,772	\$76,772	-
53,087	53,087	53,087	-	161,239	161,239	161,239	-
84,078	84,078	84,078		238,011	238,011	238,011	
6,924	6,957	6,010	\$947	24,729	24,846	21,348	\$3,498
\$6,924	\$6,957	6,010	\$947	\$24,729	\$24,846	21,348	\$3,498
		78,068				216,663	
		2,029				7,458	
		(11,197)				(35,845)	
		(9,168)				(28,387)	
		68,900				188,276	
		308,890				953,063	
		\$377,790				\$1,141,339	





**NONMAJOR ENTERPRISE FUNDS** account for the operation of state agencies that provide goods or services to the general public and finance their operations primarily through user charges. The following provides a brief description of the nonmajor enterprise funds.

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**The STATE LOTTERY** was established by the Legislature in 1988. The State Lottery's purpose is to adopt rules and regulations governing the establishment and operation of lottery games, to oversee lottery operations, and to maximize the net income of the lottery for the benefit of the State. Annually, on July 1, the State Lottery's surplus net income is distributed evenly between the permanent building account and the school district building account as dictated by *Idaho Code*, Section 67-7434.

**The LIQUOR DISPENSARY'S** purpose is to provide control over the distribution, sale, and consumption of alcoholic beverages. As dictated by *Idaho Code*, Section 23-404, after administrative and operating costs for the Liquor Dispensary, distributions are made to cities, counties, the General Fund, and various other funds of the State.

**The CORRECTIONAL INDUSTRIES** provides employment for inmates of the Department of Correction. Correctional Industries manufactures and sells a variety of items including license plates, furniture, highway signs, printing services, and other miscellaneous products and services.

*State of Idaho*

**Combining Statement of Net Assets**

**Nonmajor Enterprise Funds**

**June 30, 2007**

*(dollars in thousands)*

	<b>State Lottery</b>	<b>Liquor Dispensary</b>	<b>Correctional Industries</b>	<b>Total</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Pooled Cash and Investments	\$1,939	\$12,835	\$4,135	\$18,909
Accounts Receivable, Net	3,926	46	360	4,332
Interfund Receivables			436	436
Inventories and Prepaid Items	598	9,662	2,093	12,353
Other Current Assets	281			281
<b>Total Current Assets</b>	<b>6,744</b>	<b>22,543</b>	<b>7,024</b>	<b>36,311</b>
<b>Noncurrent Assets</b>				
Restricted Cash and Cash Equivalents	34,000	3,228		37,228
Capital Assets, Net	365	3,521	1,168	5,054
<b>Total Noncurrent Assets</b>	<b>34,365</b>	<b>6,749</b>	<b>1,168</b>	<b>42,282</b>
<b>Total Assets</b>	<b>\$41,109</b>	<b>\$29,292</b>	<b>\$8,192</b>	<b>\$78,593</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$1,512	\$6,437	\$146	\$8,095
Payroll and Related Liabilities	81	296	80	457
Interfund Payables		335		335
Due to Other Entities		4,091		4,091
Unearned Revenue			57	57
Other Accrued Liabilities	5,741		55	5,796
Compensated Absences Payable	149	487	117	753
<b>Total Current Liabilities</b>	<b>7,483</b>	<b>11,646</b>	<b>455</b>	<b>19,584</b>
<b>Total Liabilities</b>	<b>7,483</b>	<b>11,646</b>	<b>455</b>	<b>19,584</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	365	3,521	1,168	5,054
Restricted for:				
Other Purposes	33,261	2,000		35,261
Unrestricted		12,125	6,569	18,694
<b>Total Net Assets</b>	<b>33,626</b>	<b>17,646</b>	<b>7,737</b>	<b>59,009</b>
<b>Total Liabilities and Net Assets</b>	<b>\$41,109</b>	<b>\$29,292</b>	<b>\$8,192</b>	<b>\$78,593</b>

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets****Nonmajor Enterprise Funds****For the Fiscal Year Ended June 30, 2007***(dollars in thousands)*

	<b>State Lottery</b>	<b>Liquor Dispensary</b>	<b>Correctional Industries</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Sale of Goods and Services	\$130,531	\$119,267	\$8,612	\$258,410
Other Income	33	63		96
<b>Total Operating Revenues</b>	<b>130,564</b>	<b>119,330</b>	<b>8,612</b>	<b>258,506</b>
<b>OPERATING EXPENSES</b>				
Personnel Costs	2,417	8,346	1,993	12,756
Services and Supplies	17,389	69,692	4,512	91,593
Benefits, Awards, and Premiums	78,876			78,876
Depreciation	213	166	173	552
Other Expenses	412	3,031	174	3,617
<b>Total Operating Expenses</b>	<b>99,307</b>	<b>81,235</b>	<b>6,852</b>	<b>187,394</b>
<b>Operating Income (Loss)</b>	<b>31,257</b>	<b>38,095</b>	<b>1,760</b>	<b>71,112</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	247	787	180	1,214
Intergovernmental Distributions		(23,891)		(23,891)
Other Nonoperating Revenues (Expenses)			42	42
<b>Total Nonoperating Revenues (Expenses)</b>	<b>247</b>	<b>(23,104)</b>	<b>222</b>	<b>(22,635)</b>
<b>Income (Loss) Before Transfers</b>	<b>31,504</b>	<b>14,991</b>	<b>1,982</b>	<b>48,477</b>
Transfers Out	(33,000)	(13,592)		(46,592)
<b>Change in Net Assets</b>	<b>(1,496)</b>	<b>1,399</b>	<b>1,982</b>	<b>1,885</b>
<b>Total Net Assets - Beginning of Year</b>	<b>35,122</b>	<b>16,247</b>	<b>5,755</b>	<b>57,124</b>
<b>Total Net Assets - End of Year</b>	<b>\$33,626</b>	<b>\$17,646</b>	<b>\$7,737</b>	<b>\$59,009</b>

**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2007**  
*(dollars in thousands)*

	State Lottery	Liquor Dispensary	Correctional Industries	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$130,186	\$119,317	\$8,535	\$258,038
Receipts for Interfund Services		56		56
Payments to Suppliers	(20,075)	(70,578)	(5,819)	(96,472)
Payments to Employees	(2,420)	(8,251)	(1,967)	(12,638)
Payments for Interfund Services		(224)		(224)
Payments for Benefits, Awards, and Claims	(75,581)			(75,581)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>32,110</b>	<b>40,320</b>	<b>749</b>	<b>73,179</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental Distributions		(24,607)		(24,607)
Transfers Out	(33,000)	(13,592)		(46,592)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(33,000)</b>	<b>(38,199)</b>		<b>(71,199)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Disposition of Capital Assets			42	42
Acquisition and Construction of Capital Assets	(173)	(340)	(299)	(812)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(173)</b>	<b>(340)</b>	<b>(257)</b>	<b>(770)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipt of Interest and Dividends	248	787	180	1,215
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>248</b>	<b>787</b>	<b>180</b>	<b>1,215</b>
<b>Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash</b>	<b>(815)</b>	<b>2,568</b>	<b>672</b>	<b>2,425</b>
<b>Beginning Cash, Cash Equivalents, and Pooled Cash</b>	<b>36,754</b>	<b>13,495</b>	<b>3,463</b>	<b>53,712</b>
<b>Ending Cash, Cash Equivalents, and Pooled Cash</b>	<b>\$35,939</b>	<b>\$16,063</b>	<b>\$4,135</b>	<b>\$56,137</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	\$31,257	\$38,095	\$1,760	\$71,112
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	213	166	173	552
Net Changes in Assets and Liabilities:				
Accounts Receivable/Interfund Receivables	(3,161)	42	(129)	(3,248)
Inventories and Prepaid Items	135	(1,040)	(955)	(1,860)
Other Current Assets	(79)			(79)
Accounts Payable/Interfund Payables	452	2,961	(178)	3,235
Unearned Revenue			52	52
Compensated Absences	11	37	22	70
Other Accrued Liabilities	3,282	59	4	3,345
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$32,110</b>	<b>\$40,320</b>	<b>\$749</b>	<b>\$73,179</b>

**INTERNAL SERVICE FUNDS** account for the operation of state agencies which provide goods or services to other state agencies and governmental units on a cost-reimbursement basis. The following provides a brief description of operations included in the internal service funds.

---

**The GROUP INSURANCE FUND**, created by *Idaho Code*, Section 67-5771, is administered by the Department of Administration. The fund accounts for health insurance for all state employees and optional coverage for dependents and retirees. The Fund also provides life insurance and short and long-term disability coverage.

**The RISK MANAGEMENT FUND**, created by *Idaho Code*, Section 67-5776, accounts for insurance coverage and loss prevention to all state agencies. Coverage is provided using a combination of self-insurance and private excess insurance.

**The GENERAL SERVICES FUND**, created by *Idaho Code*, Sections 67-5703, 67-5744, and 67-3516, accounts for statewide auditing, human resources, treasury services, surplus property redistribution and sale, copying services, purchasing, mail services for state agencies, and voice and data communication services.

**The DATA PROCESSING SERVICES FUND**, created by *Idaho Code*, Section 67-1021, accounts for data processing services provided by the Office of the State Controller to the various state agencies. In addition, the State Department of Education provides data processing services to local school districts and some state agencies.

**Combining Statement of Net Assets****Internal Service Funds****June 30, 2007***(dollars in thousands)*

	<b>Group Insurance</b>	<b>Risk Management</b>	<b>General Services</b>	<b>Data Processing Services</b>	<b>Total</b>
<b>ASSETS</b>					
<b>Current Assets</b>					
Pooled Cash and Investments	\$74,857	\$2,615	\$7,415	\$1,235	\$86,122
Accounts Receivable, Net			18		18
Interfund Receivables		38	33	900	971
Inventories and Prepaid Items		2,590	1,389	916	4,895
Other Current Assets	166	92	1		259
<b>Total Current Assets</b>	<b>75,023</b>	<b>5,335</b>	<b>8,856</b>	<b>3,051</b>	<b>92,265</b>
<b>Noncurrent Assets</b>					
Investments	22,995	12,802			35,797
Capital Assets, Net	8	8	15,350	553	15,919
<b>Total Noncurrent Assets</b>	<b>23,003</b>	<b>12,810</b>	<b>15,350</b>	<b>553</b>	<b>51,716</b>
<b>Total Assets</b>	<b>\$98,026</b>	<b>\$18,145</b>	<b>\$24,206</b>	<b>\$3,604</b>	<b>\$143,981</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable			\$610		\$610
Payroll and Related Liabilities	\$9	\$15	230	\$131	385
Interfund Payables			6		6
Unearned Revenue	10,678		74	119	10,871
Other Accrued Liabilities			196		196
Capital Leases Payable			127	54	181
Compensated Absences Payable	14	13	402	253	682
Bonds and Notes Payable			104		104
Policy Claim Liabilities	5,078	5,265			10,343
<b>Total Current Liabilities</b>	<b>15,779</b>	<b>5,293</b>	<b>1,749</b>	<b>557</b>	<b>23,378</b>
<b>Noncurrent Liabilities</b>					
Capital Leases Payable			46	113	159
Bonds and Notes Payable			3,562		3,562
Policy Claim Liabilities	13,500	9,918			23,418
<b>Total Noncurrent Liabilities</b>	<b>13,500</b>	<b>9,918</b>	<b>3,608</b>	<b>113</b>	<b>27,139</b>
<b>Total Liabilities</b>	<b>29,279</b>	<b>15,211</b>	<b>5,357</b>	<b>670</b>	<b>50,517</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	8	8	11,511	386	11,913
Restricted for:					
Claims and Judgments	55,839				55,839
Unrestricted	12,900	2,926	7,338	2,548	25,712
<b>Total Net Assets</b>	<b>68,747</b>	<b>2,934</b>	<b>18,849</b>	<b>2,934</b>	<b>93,464</b>
<b>Total Liabilities and Net Assets</b>	<b>\$98,026</b>	<b>\$18,145</b>	<b>\$24,206</b>	<b>\$3,604</b>	<b>\$143,981</b>

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets****Internal Service Funds****For the Fiscal Year Ended June 30, 2007***(dollars in thousands)*

	<b>Group Insurance</b>	<b>Risk Management</b>	<b>General Services</b>	<b>Data Processing Services</b>	<b>Total</b>
<b>OPERATING REVENUES</b>					
Sale of Goods and Services	\$159,268	\$5,145	\$20,532	\$6,175	\$191,120
Grants and Contributions			22		22
Other Income	4	37	609	1,089	1,739
<b>Total Operating Revenues</b>	<b>159,272</b>	<b>5,182</b>	<b>21,163</b>	<b>7,264</b>	<b>192,881</b>
<b>OPERATING EXPENSES</b>					
Personnel Costs	237	396	7,262	3,504	11,399
Services and Supplies	354	3,248	13,314	2,895	19,811
Benefits, Awards, and Premiums	174,700	2,925			177,625
Depreciation	1	1	884	474	1,360
Other Expenses	83	755	1,869	58	2,765
<b>Total Operating Expenses</b>	<b>175,375</b>	<b>7,325</b>	<b>23,329</b>	<b>6,931</b>	<b>212,960</b>
<b>Operating Income (Loss)</b>	<b>(16,103)</b>	<b>(2,143)</b>	<b>(2,166)</b>	<b>333</b>	<b>(20,079)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment Income	5,536	1,013	362	76	6,987
Interest Expense			(409)	(15)	(424)
Gain (Loss) on Sale of Capital Assets			15		15
<b>Total Nonoperating Revenues (Expenses)</b>	<b>5,536</b>	<b>1,013</b>	<b>(32)</b>	<b>61</b>	<b>6,578</b>
<b>Income (Loss) Before Transfers</b>	<b>(10,567)</b>	<b>(1,130)</b>	<b>(2,198)</b>	<b>394</b>	<b>(13,501)</b>
Transfers In			1,267		1,267
<b>Change in Net Assets</b>	<b>(10,567)</b>	<b>(1,130)</b>	<b>(931)</b>	<b>394</b>	<b>(12,234)</b>
<b>Total Net Assets - Beginning of Year</b>	<b>79,314</b>	<b>4,064</b>	<b>19,780</b>	<b>2,540</b>	<b>105,698</b>
<b>Total Net Assets - End of Year</b>	<b>\$68,747</b>	<b>\$2,934</b>	<b>\$18,849</b>	<b>\$2,934</b>	<b>\$93,464</b>

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2007**  
*(dollars in thousands)*

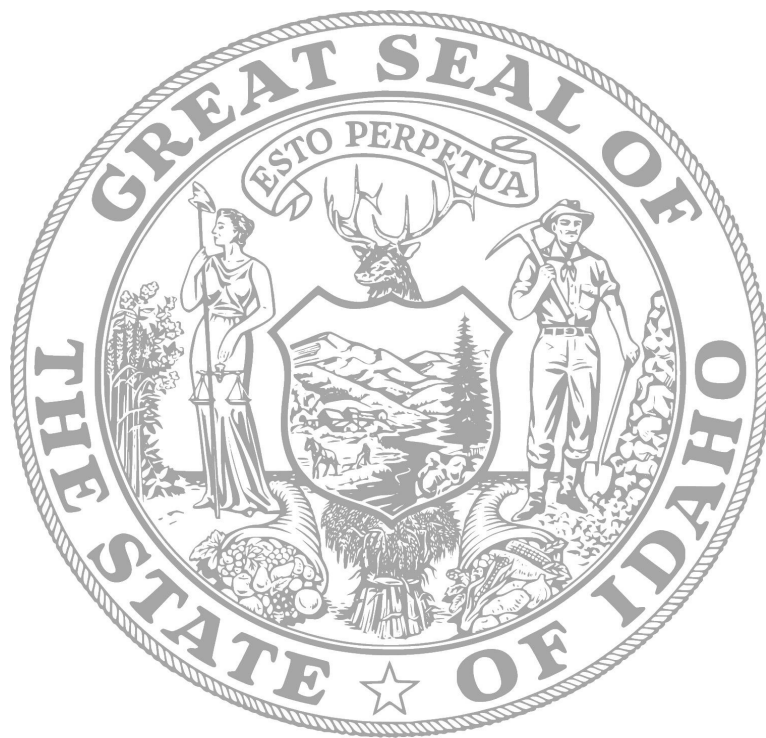
	<b>Group Insurance</b>	<b>Risk Management</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers		\$72
Receipts for Interfund Services	\$158,741	5,160
Receipts from Grants and Contributions		
Payments to Suppliers	(273)	(6,266)
Payments to Employees	(237)	(396)
Payments for Interfund Services	(199)	(260)
Payments for Benefits, Awards, and Claims	(176,146)	(3,721)
Other Receipts (Payments)		
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(18,114)</b>	<b>(5,411)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers In		
Interest Paid		
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payment of Notes and Bonds		
Capital Lease Payments		
Proceeds from Disposition of Capital Assets		
Acquisition and Construction of Capital Assets	(2)	(3)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(2)</b>	<b>(3)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipt of Interest and Dividends	5,252	855
Purchase of Investments	(1,083)	(602)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>4,169</b>	<b>253</b>
<b>Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash</b>	<b>(13,947)</b>	<b>(5,161)</b>
<b>Beginning Cash, Cash Equivalents, and Pooled Cash</b>	<b>88,804</b>	<b>7,776</b>
<b>Ending Cash, Cash Equivalents, and Pooled Cash</b>	<b>\$74,857</b>	<b>\$2,615</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income (Loss)	(\$16,103)	(\$2,143)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1	1
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables		51
Inventories and Prepaid Items		(2,524)
Other Current Assets		
Accounts Payable/Interfund Payables	(39)	
Unearned Revenue	(527)	
Compensated Absences	(2)	(1)
Policy Claim Liabilities	(1,445)	(796)
Other Accrued Liabilities	1	1
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(\$18,114)</b>	<b>(\$5,411)</b>

**Noncash Transactions (dollars in thousands):**

Investments increased in fair value by \$271 for Group Insurance and \$151 for Risk Management. Data Processing Services acquired capital assets by capital lease of \$269. Data Processing Services entered into a sale-leaseback transaction in the amount of \$42 for equipment.



<b>Data</b>		
<b>General Services</b>	<b>Processing Services</b>	<b>Total</b>
\$89	\$85	\$246
20,973	6,880	191,754
22		22
(11,772)	(3,473)	(21,784)
(7,297)	(3,474)	(11,404)
(1,956)	(37)	(2,452)
		(179,867)
287		287
346	(19)	(23,198)
1,267		1,267
(197)	(5)	(202)
1,070	(5)	1,065
(89)		(89)
(127)	(68)	(195)
15		15
(535)	(113)	(653)
(736)	(181)	(922)
362	76	6,545
		(1,685)
362	76	4,860
1,042	(129)	(18,195)
6,373	1,364	104,317
\$7,415	\$1,235	\$86,122
(\$2,166)	\$333	(\$20,079)
884	474	1,360
380	(379)	52
1,363	(594)	(1,755)
(1)		(1)
56		17
(138)	108	(557)
(28)	23	(8)
		(2,241)
(4)	16	14
\$346	(\$19)	(\$23,198)



**FIDUCIARY FUNDS** report assets held in a trustee or agency capacity for others and therefore cannot be used to support the State's own programs. The following provides a brief description of the State's fiduciary funds.

---

**PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS** account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, and other postemployment benefit plans. The State's pension trust funds include the following:

**The PERSI Base Plan and the Firefighters' Retirement Fund** are cost-sharing, multiple employer defined benefit retirement plans that provide benefits based on member's years of service, age, and highest average salary. In addition, benefits are provided for disability, death, and to survivors of eligible members or beneficiaries.

**The Judges' Retirement Fund** provides retirement benefits to retired justices, judges, and allowances to surviving spouses.

**The Defined Contribution 414(k) Plan and the Defined Contribution 401(k) Plan** are defined contribution retirement plans that consist of gain sharing allocations, voluntary employee contributions, rollover contributions, and some employer matching contributions.

**The Sick Leave Insurance Reserve-State Fund and the Sick Leave Insurance Reserve-Schools Fund** are trust funds that provide payment of health insurance premiums on behalf of retired employees based on accumulated unused sick leave at the time of retirement.

**INVESTMENT TRUST FUNDS** account for assets invested by the State on behalf of other governmental entities. The following provides a brief description of the State's investment trust funds:

**The Local Government Investment Pool** is an investment trust fund that accounts for the investments managed by the State Treasurer's Office for Local Government Investment Pool participants.

**The Diversified Bond Fund** is an investment trust fund that accounts for the investments managed by the State Treasurer's Office for Diversified Bond Fund participants.

**AGENCY FUNDS** account for resources held by the State in a purely custodial capacity. The following provides a brief description of the State's agency funds:

**The Custodial Fund** accounts for the receipts and disbursements of monies collected by the State and distributed to entities or individuals. This includes deposits of securities by banks and insurance companies doing business in the State.

**The Payroll Fund** is a clearing fund for state and federal withholding, social security taxes, and voluntary employee deductions related to the State's payroll.

**Combining Statement of Fiduciary Net Assets**  
**Pension (and Other Employee Benefit) Trust Funds**  
**June 30, 2007**  
*(dollars in thousands)*

	<b>PERSI Base Plan</b>	<b>Firefighters' Retirement</b>	<b>Judges' Retirement</b>	<b>Defined Contribution 414(k)</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$336	\$9	\$1,681	
Pooled Cash and Investments	2,290	61	288	
Investments:				
Pooled Short Term	485,180	12,937		
Fixed Income Investments	2,433,549	64,889	18,392	
Marketable Securities	7,216,746	192,430	44,842	
Mutual Funds and Private Equities	422,037	11,253		\$69,934
Mortgages and Real Estate	648,748	17,299		
Receivables:				
Investments Sold	1,075,390	28,590		
Contributions	3,589	124	53	
Interest and Dividends	41,768	1,110	138	259
Interfund Receivables				
Other Receivables			130	
Other Assets	34,194			
Capital Assets, Net	2,691			
<b>Total Assets</b>	<b>12,366,518</b>	<b>328,702</b>	<b>65,524</b>	<b>70,193</b>
<b>LIABILITIES</b>				
Accounts Payable	161		87	
Interfund Payables	1,705			
Investments Purchased	1,388,421	36,912		
Other Accrued Liabilities	9,813	249		
<b>Total Liabilities</b>	<b>1,400,100</b>	<b>37,161</b>	<b>87</b>	
<b>NET ASSETS</b>				
Held in Trust for:				
Employee Pension Benefits	10,966,418	291,541	65,437	70,193
Postemployment Healthcare Benefits				
<b>Total Net Assets</b>	<b>\$10,966,418</b>	<b>\$291,541</b>	<b>\$65,437</b>	<b>\$70,193</b>

Defined Contribution 401(k)	Sick Leave Insurance Reserve-State	Sick Leave Insurance Reserve-Schools	Total
\$20			\$2,046
	\$25	\$9	2,673
1,128			499,245
	32,711	53,872	2,603,413
	54,501	89,759	7,598,278
224,139			727,363
			666,047
			1,103,980
274			4,040
672			43,947
	637	1,068	1,705
			130
	290	642	35,126
			2,691
226,233	88,164	145,350	13,290,684
			248
			1,705
			1,425,333
	9	14	10,085
	9	14	1,437,371
226,233			11,619,822
	88,155	145,336	233,491
\$226,233	\$88,155	\$145,336	\$11,853,313

**Combining Statement of Changes in Fiduciary Net Assets**  
**Pension (and Other Employee Benefit) Trust Funds**  
**For the Fiscal Year Ended June 30, 2007**  
*(dollars in thousands)*

	<b>PERSI Base Plan</b>	<b>Firefighters' Retirement</b>	<b>Judges' Retirement</b>	<b>Defined Contribution 414(k)</b>
<b>ADDITIONS</b>				
<b>Contributions:</b>				
Member	\$159,600	\$34	\$285	
Employer	259,490	12,131	332	
Transfers In from Other Plans				
<b>Total Contributions</b>	<b>419,090</b>	<b>12,165</b>	<b>617</b>	
<b>Investment Income:</b>				
Net Increase (Decrease) in Fair Value of Investments	1,544,784	41,069	7,579	\$9,903
Interest, Dividends, and Other	296,350	7,878	1,745	1,948
Less Investment Expense:				
Investment Activity Expense	(47,150)	(1,253)	(176)	(166)
<b>Net Investment Income</b>	<b>1,793,984</b>	<b>47,694</b>	<b>9,148</b>	<b>11,685</b>
Miscellaneous Income	239		1,520	
<b>Total Additions</b>	<b>2,213,313</b>	<b>59,859</b>	<b>11,285</b>	<b>11,685</b>
<b>DEDUCTIONS</b>				
Benefits and Refunds Paid to Plan Members	435,666	17,084	3,597	1,696
Transfers Out to Other Plans				1,243
Administrative Expense	6,681		43	
<b>Total Deductions</b>	<b>442,347</b>	<b>17,084</b>	<b>3,640</b>	<b>2,939</b>
<b>Change in Net Assets Held in Trust for:</b>				
Employee Pension Benefits	1,770,966	42,775	7,645	8,746
Employee Postemployment Healthcare Benefits				
<b>Net Assets - Beginning of Year</b>	<b>9,195,452</b>	<b>248,766</b>	<b>57,792</b>	<b>61,447</b>
<b>Net Assets - End of Year</b>	<b>\$10,966,418</b>	<b>\$291,541</b>	<b>\$65,437</b>	<b>\$70,193</b>

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Defined Contribution 401(k)	Sick Leave Insurance Reserve-State	Sick Leave Insurance Reserve-Schools	Total
\$29,668			\$189,587
191	\$5,344	\$12,504	289,992
8,512			8,512
38,371	5,344	12,504	488,091
26,809	10,680	17,621	1,658,445
6,403			314,324
(71)	(44)	(73)	(48,933)
33,141	10,636	17,548	1,923,836
	9	14	1,782
71,512	15,989	30,066	2,413,709
3,568	2,991	8,657	473,259
5,015			6,258
	30	49	6,803
8,583	3,021	8,706	486,320
62,929			1,893,061
	12,968	21,360	34,328
163,304	75,187	123,976	9,925,924
\$226,233	\$88,155	\$145,336	\$11,853,313

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*State of Idaho***Combining Statement of Fiduciary Net Assets****Investment Trust Funds****June 30, 2007***(dollars in thousands)*

	<b>Local Government Investment Pool</b>	<b>Diversified Bond Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Investments:			
Pooled Short Term	\$406,505	\$3,230	\$409,735
Fixed Income Investments	741,624	42,627	784,251
Mortgages and Real Estate		52,015	52,015
Securities Lending Collateral	650,651	60,555	711,206
Receivables:			
Interest and Dividends	5,527	712	6,239
<b>Total Assets</b>	<b>1,804,307</b>	<b>159,139</b>	<b>1,963,446</b>
<b>LIABILITIES</b>			
Accounts Payable	43	2	45
Obligations Under Securities Lending	650,651	60,555	711,206
Other Accrued Liabilities	5,039	442	5,481
<b>Total Liabilities</b>	<b>655,733</b>	<b>60,999</b>	<b>716,732</b>
<b>NET ASSETS</b>			
Held in Trust for:			
External Investment Pool Participants	1,148,574	98,140	1,246,714
<b>Total Net Assets</b>	<b>\$1,148,574</b>	<b>\$98,140</b>	<b>\$1,246,714</b>



**Combining Statement of Changes in Fiduciary Net Assets****Investment Trust Funds****For the Fiscal Year Ended June 30, 2007***(dollars in thousands)*

	<b>Local Government Investment Pool</b>	<b>Diversified Bond Fund</b>	<b>Total</b>
<b>ADDITIONS</b>			
<b>Contributions:</b>			
Participant Deposits	\$2,084,611	\$5,220	\$2,089,831
<b>Total Contributions</b>	<u>2,084,611</u>	<u>5,220</u>	<u>2,089,831</u>
<b>Investment Income:</b>			
Net Increase (Decrease) in Fair Value of Investments	9,469	1,377	10,846
Interest, Dividends, and Other	36,379	4,746	41,125
Securities Lending Income	631	78	709
Less Investment Expense:			
Investment Activity Expense	(438)	(208)	(646)
<b>Net Investment Income</b>	<u>46,041</u>	<u>5,993</u>	<u>52,034</u>
<b>Total Additions</b>	<u>2,130,652</u>	<u>11,213</u>	<u>2,141,865</u>
<b>DEDUCTIONS</b>			
Earnings Distribution	44,214	4,701	48,915
Participant Withdrawals	1,906,353	9,135	1,915,488
<b>Total Deductions</b>	<u>1,950,567</u>	<u>13,836</u>	<u>1,964,403</u>
<b>Change in Net Assets Held in Trust for:</b>			
External Investment Pool Participants	180,085	(2,623)	177,462
<b>Net Assets - Beginning of Year</b>	<u>968,489</u>	<u>100,763</u>	<u>1,069,252</u>
<b>Net Assets - End of Year</b>	<u>\$1,148,574</u>	<u>\$98,140</u>	<u>\$1,246,714</u>

*State of Idaho***Combining Statement of Assets and Liabilities****Agency Funds****June 30, 2007***(dollars in thousands)*

	<b>Custodial</b>	<b>Payroll</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$5,431		\$5,431
Pooled Cash and Investments	21,757	\$6,009	27,766
Investments:			
Fixed Income Investments	214,605		214,605
Other Investments	8,121		8,121
Receivables:			
Interest and Dividends	70		70
<b>Total Assets</b>	<b>\$249,984</b>	<b>\$6,009</b>	<b>\$255,993</b>
<b>LIABILITIES</b>			
Payroll and Related Liabilities		\$6,009	\$6,009
Due to Other Entities	\$712		712
Amounts Held in Trust for Others	246,440		246,440
Other Accrued Liabilities	2,832		2,832
<b>Total Liabilities</b>	<b>\$249,984</b>	<b>\$6,009</b>	<b>\$255,993</b>

## Combining Statement of Changes in Assets and Liabilities

## Agency Funds

For the Fiscal Year Ended June 30, 2007

(dollars in thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b>CUSTODIAL</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$9,251	\$5,431	\$9,251	\$5,431
Pooled Cash and Investments	24,403	363,146	365,792	21,757
Fixed Income Investments	192,311	214,605	192,311	214,605
Other Investments	6,568	1,553		8,121
Interest and Dividends	78	70	78	70
<b>Total Assets</b>	<b>\$232,611</b>	<b>\$584,805</b>	<b>\$567,432</b>	<b>\$249,984</b>
<b>Liabilities</b>				
Due to Other Entities	\$661	\$4,625	\$4,574	\$712
Amounts Held in Trust for Others	228,614	311,376	293,550	246,440
Other Accrued Liabilities	3,336	21,801	22,305	2,832
<b>Total Liabilities</b>	<b>\$232,611</b>	<b>\$337,802</b>	<b>\$320,429</b>	<b>\$249,984</b>
<b>PAYROLL</b>				
<b>Assets</b>				
Pooled Cash and Investments	\$6,376	\$1,259,443	\$1,259,810	\$6,009
<b>Total Assets</b>	<b>\$6,376</b>	<b>\$1,259,443</b>	<b>\$1,259,810</b>	<b>\$6,009</b>
<b>Liabilities</b>				
Payroll and Related Liabilities	\$6,376	\$1,624,440	\$1,624,807	\$6,009
<b>Total Liabilities</b>	<b>\$6,376</b>	<b>\$1,624,440</b>	<b>\$1,624,807</b>	<b>\$6,009</b>
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$9,251	\$5,431	\$9,251	\$5,431
Pooled Cash and Investments	30,779	1,622,589	1,625,602	27,766
Fixed Income Investments	192,311	214,605	192,311	214,605
Other Investments	6,568	1,553		8,121
Interest and Dividends	78	70	78	70
<b>Total Assets</b>	<b>\$238,987</b>	<b>\$1,844,248</b>	<b>\$1,827,242</b>	<b>\$255,993</b>
<b>Liabilities</b>				
Payroll and Related Liabilities	\$6,376	\$1,624,440	\$1,624,807	\$6,009
Due to Other Entities	661	4,625	4,574	712
Amounts Held in Trust for Others	228,614	311,376	293,550	246,440
Other Accrued Liabilities	3,336	21,801	22,305	2,832
<b>Total Liabilities</b>	<b>\$238,987</b>	<b>\$1,962,242</b>	<b>\$1,945,236</b>	<b>\$255,993</b>

# THOUSAND SPRINGS STATE PARK



Photo Source: Idaho Department of Parks and Recreation

Thousand Springs State Park is located along the Snake River in Idaho's Magic Valley. The Big and Little Lost Rivers sink into the porous lava near Craters of the Moon and flow underground for almost 100 miles. The waters become part of the Snake River Aquifer before emerging as crystal-clear springs from the canyon walls near Hagerman. The springs and other diverse areas found within the complex provide visitors with a remarkable experience. Thousand Springs is composed of the following five areas:

Malad Gorge is a 652-acre park. The Malad River tumbles down stair-step waterfalls into the Devil's Washbowl, then etches its way through the beautiful 250-foot Malad Gorge. The bridge that crosses the canyon within the park offers a breathtaking view of the gorge.

Prior to its purchase in 2001, Billingsly Creek was known as the Emerald Valley Ranch. An indoor horse-riding arena and superior fishing are popular throughout the year.

The Earl M. Hardy Box Canyon Springs Nature Preserve flows at a rate of 180,000 gallons per minute. The natural area offers views of the springs, a hiking trail, and a viewing platform that overlooks a 20-foot waterfall.

Niagara and Crystal Springs Park offers the best opportunity to drive into the 350-foot-deep canyon. Visitors can view abundant waterfowl and enjoy year-round fishing in Crystal Springs Lake.

Ritter Island is part of the 310-acre preserve donated to the State by The Nature Conservancy in December 2006. The donation included Ritter Island, two miles of riverfront along the Snake River, many springs and creeks, and early-1900s farm buildings. Ritter Island is host to the annual Thousand Springs Festival.

Data Sources:

[http://www.ktvb.com/news/magicvalley/stories/ktvbn-dec1806-thousand\\_springs\\_park.20c70857.html](http://www.ktvb.com/news/magicvalley/stories/ktvbn-dec1806-thousand_springs_park.20c70857.html)

<http://www.visitidaho.org/thingstodo/parks/thousand-springs-state-park.aspx>

<http://parksand recreation.idaho.gov/parks/thousandsprings.aspx>



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Sources: Unless otherwise noted, the information in the following schedules is derived from the State’s Comprehensive Annual Financial Report.

### Schedule 1 - Net Assets by Component Fiscal Years 2002-2007

(accrual basis of accounting, dollars in thousands)

	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)	2007
<b>Governmental Activities</b>						
Invested in Capital Assets, Net of Related Debt <sup>1</sup>	\$3,498,136	\$3,616,310	\$3,755,317	\$3,978,358	\$4,179,097	\$4,401,792
Restricted <sup>2</sup>	1,006,427	1,044,171	1,230,263	1,255,613	1,354,676	1,773,496
Unrestricted <sup>3</sup>	356,887	244,161	366,404	594,894	872,963	983,122
<b>Total Governmental Activities Net Assets</b>	<b>\$4,861,450</b>	<b>\$4,904,642</b>	<b>\$5,351,984</b>	<b>\$5,828,865</b>	<b>\$6,406,736</b>	<b>\$7,158,410</b>
<b>Business-Type Activities</b>						
Invested in Capital Assets, Net of Related Debt	\$392,358	\$418,240	\$411,159	\$447,206	\$467,275	\$513,584
Restricted <sup>4</sup>	602,218	653,739	637,531	619,352	720,721	813,880
Unrestricted <sup>5</sup>	109,473	33,872	84,174	146,942	163,636	190,277
<b>Total Business-Type Activities Net Assets</b>	<b>\$1,104,049</b>	<b>\$1,105,851</b>	<b>\$1,132,864</b>	<b>\$1,213,500</b>	<b>\$1,351,632</b>	<b>\$1,517,741</b>
<b>Primary Government</b>						
Invested in Capital Assets, Net of Related Debt	\$3,890,494	\$4,034,550	\$4,166,476	\$4,425,564	\$4,646,372	\$4,915,376
Restricted	1,608,645	1,697,910	1,867,794	1,874,965	2,075,397	2,587,376
Unrestricted	466,360	278,033	450,578	741,836	1,036,599	1,173,399
<b>Total Primary Government Net Assets</b>	<b>\$5,965,499</b>	<b>\$6,010,493</b>	<b>\$6,484,848</b>	<b>\$7,042,365</b>	<b>\$7,758,368</b>	<b>\$8,676,151</b>

NOTE: The State implemented Governmental Accounting Standards Board Statement No. 34 in fiscal year 2002; the relevant government-wide schedules are effective beginning in fiscal year 2002.

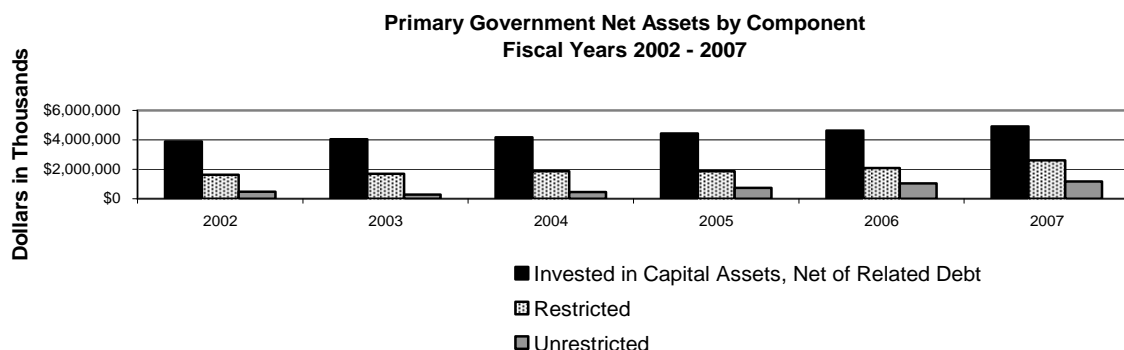
<sup>1</sup>In fiscal years 2006 and 2007 the governmental activities' investments in capital assets increased primarily due to increases recorded by the Idaho Transportation Department for land and infrastructure. In fiscal year 2005 the increase was mainly due to capital expenditures by the Idaho State Building Authority (for buildings) and the Idaho Transportation Department (for land and infrastructure).

<sup>2</sup>In fiscal year 2007 governmental activities' restricted net assets increased mainly due to endowment fund investment income, receipts from timber sales and land leases, and increased operating grants for health care assistance and infrastructure. In fiscal year 2006 restricted net assets increased mainly due to endowment fund investment income and receipts from timber sales and land leases. In fiscal year 2004 restricted net assets increased primarily due to endowment fund investment income.

<sup>3</sup>In fiscal year 2007 the governmental activities' unrestricted net assets increased due to an increase in individual income taxes and an increase in sales tax. The Property Tax Relief Act of 2006 increased the sales tax by 1 percent and reduced property tax by shifting public schools' maintenance and operating expenses from counties to the state. In fiscal year 2006 unrestricted net assets increased mainly due to an increase in individual and corporate income taxes. In fiscal years 2004 and 2005 the unrestricted net assets increased due to a temporary sales tax increase and a strengthening economy. In fiscal year 2003 the unrestricted net assets decreased primarily as a result of the recession and the need to utilize cash reserves to help meet the State's current year obligations.

<sup>4</sup>In fiscal years 2006 and 2007 business-type activities' restricted net assets increased mainly due to increases in unemployment compensation assessments and decreases in unemployment claims.

<sup>5</sup>In fiscal year 2007 business-type activities' unrestricted net assets increased due to an increase in capital contributions and student tuition and fees for the colleges and universities. In fiscal year 2005 unrestricted net assets increased primarily due to increased student tuition and fees for the colleges and universities. In fiscal year 2004 unrestricted net assets increased due to grant revenues for colleges and universities. In fiscal year 2003 the unrestricted net assets decreased primarily as a result of the recession and the need to utilize cash reserves to help meet current year obligations.



**Schedule 2 - Changes in Net Assets****Fiscal Years 2002-2007***(accrual basis of accounting, dollars in thousands)*

	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)	2007
<b>Governmental Activities:</b>						
<b>Expenses</b>						
General Government	\$486,809	\$458,586	\$504,727	\$599,552	\$634,262	\$665,638
Public Safety and Correction	239,336	238,050	241,550	229,158	266,036	279,201
Health and Human Services <sup>1</sup>	1,242,566	1,347,997	1,507,865	1,600,692	1,676,706	1,740,729
Education <sup>2</sup>	1,244,030	1,252,020	1,287,879	1,331,795	1,385,448	1,691,654
Economic Development	577,468	587,152	600,341	616,149	629,499	664,031
Natural Resources	215,537	170,761	186,594	205,635	213,599	212,732
Interest Expense	16,652	18,911	16,556	18,175	21,130	32,232
Total Expenses	4,022,398	4,073,477	4,345,512	4,601,156	4,826,680	5,286,217
<b>Program Revenues</b>						
Charges for Services:						
General Government	218,739	250,065	288,592	302,554	306,363	297,470
Economic Development	198,705	197,041	198,643	203,550	215,735	239,728
Other Activities	201,142	224,908	227,315	241,529	264,346	281,114
Operating Grants and Contributions <sup>3</sup>	1,230,063	1,461,507	1,787,214	1,832,487	1,899,754	2,050,008
Capital Grants and Contributions	3,564	1,882	3,284	5,211	8,624	1,481
Total Program Revenues	1,852,213	2,135,403	2,505,048	2,585,331	2,694,822	2,869,801
<b>Total Governmental Activities Net Program Expense</b>	<b>(2,170,185)</b>	<b>(1,938,074)</b>	<b>(1,840,464)</b>	<b>(2,015,825)</b>	<b>(2,131,858)</b>	<b>(2,416,416)</b>
<b>General Revenues and Other Changes in Net Assets</b>						
Taxes:						
Sales Tax <sup>4</sup>	789,110	860,526	1,039,746	1,135,210	1,061,861	1,296,040
Individual and Corporate Taxes <sup>5</sup>	877,594	922,790	991,520	1,167,799	1,428,996	1,605,218
Fuel Tax	231,105	223,515	215,096	220,801	224,373	232,025
Other Taxes	133,329	160,935	182,606	185,375	182,112	185,748
Tobacco Settlement	26,602	23,772	23,004	23,145	21,404	27,328
Grants Not Restricted to Specific Programs			50,007			
Unrestricted Investment Earnings	21,008	13,457	12,020	15,595	34,734	35,430
Transfers	(228,921)	(223,729)	(226,193)	(255,219)	(243,751)	(213,699)
Total General Revenues and Other Changes in Net Assets	1,849,827	1,981,266	2,287,806	2,492,706	2,709,729	3,168,090
<b>Total Governmental Activities Change in Net Assets</b>	<b>(\$320,358)</b>	<b>\$43,192</b>	<b>\$447,342</b>	<b>\$476,881</b>	<b>\$577,871</b>	<b>\$751,674</b>
<b>Business-Type Activities:</b>						
<b>Expenses</b>						
College and University	\$665,908	\$667,324	\$699,674	\$753,689	\$780,066	\$815,373
Unemployment Compensation <sup>6</sup>	182,343	179,423	164,950	142,862	109,113	109,338
Loan	1,369	1,072	913	654	719	954
State Lottery	71,848	76,310	85,046	89,424	97,605	99,307
Liquor Dispensary	64,593	68,664	75,747	79,817	93,204	105,126
Correctional Industries	6,053	5,427	5,835	5,655	6,239	6,852
Total Expenses	992,114	998,220	1,032,165	1,072,101	1,086,946	1,136,950
<b>Revenues</b>						
Charges for Services:						
College and University	192,388	243,292	250,417	283,463	315,924	341,823
Unemployment Compensation <sup>6</sup>	153,031	124,379	130,789	143,828	159,365	191,758
State Lottery	89,228	98,267	109,443	113,613	131,305	130,811
Other Activities	86,184	89,833	96,490	108,600	124,600	142,893
Operating Grants and Contributions	174,575	198,007	222,013	228,049	229,902	227,620
Capital Grants and Contributions <sup>7</sup>	42,488	22,515	23,833	19,965	20,231	54,455
Total Revenues	737,894	776,293	832,985	897,518	981,327	1,089,360
<b>Total Business-Type Activities Net Program Expense</b>	<b>(254,220)</b>	<b>(221,927)</b>	<b>(199,180)</b>	<b>(174,583)</b>	<b>(105,619)</b>	<b>(47,590)</b>
<b>General Revenues and Other Changes in Net Assets</b>						
Transfers	271,104	223,729	226,193	255,219	243,751	213,699
Total General Revenues and Other Changes in Net Assets	271,104	223,729	226,193	255,219	243,751	213,699
<b>Total Business-Type Activities Change in Net Assets</b>	<b>\$16,884</b>	<b>\$1,802</b>	<b>\$27,013</b>	<b>\$80,636</b>	<b>\$138,132</b>	<b>\$166,109</b>
<b>Total Primary Government Change in Net Assets</b>	<b>(\$303,474)</b>	<b>\$44,994</b>	<b>\$474,355</b>	<b>\$557,517</b>	<b>\$716,003</b>	<b>\$917,783</b>

<sup>1</sup>From fiscal years 2002 to 2007 health and human services' expenses have reflected continuous growth due to rising Medicaid and income assistance payments.<sup>2</sup>In fiscal year 2007 education expenses increased due to personnel, operating, and facilities maintenance expenses.<sup>3</sup>From fiscal years 2002 to 2007 operating grants and contributions have risen primarily due to grant increases benefiting health, transportation, education, and natural resources.<sup>4</sup>In fiscal year 2007 the state sales tax increased from 5 to 6 percent. From fiscal years 2003 to 2005 sales tax revenues increased due to a temporary sales tax increase and increased consumer spending. The state sales tax increased from 5 to 6 percent on May 1, 2003, and reverted to 5 percent on July 1, 2005.<sup>5</sup>In fiscal years 2006 and 2007 individual and corporate income taxes increased due to increased levels of employment and personal income.<sup>6</sup>In fiscal year 2007 Unemployment Compensation revenues increased due to increased assessments and investment income. In fiscal year 2006 expenses decreased due to fewer unemployment claims related to low unemployment.<sup>7</sup>In fiscal year 2007 capital grants and contributions revenues increased due to an increase in capital contributions for the colleges and universities.

**Schedule 3 - Fund Balances - Governmental Funds**

**Fiscal Years 1998-2007**

(modified accrual basis of accounting, dollars in thousands)

	1998	1999	2000	2001	2002 (as restated)	2003 (as restated)
<b>General Fund</b>						
Reserved <sup>1</sup>	\$18,876	\$31,236	\$30,235	\$55,064	\$40,311	\$16,248
Unreserved <sup>2</sup>	207,924	240,755	444,791	519,321	288,811	170,076
<b>Total General Fund<sup>3</sup></b>	<b>226,800</b>	<b>271,991</b>	<b>475,026</b>	<b>574,385</b>	<b>329,122</b>	<b>186,324</b>
<b>All Other Governmental Funds</b>						
Reserved <sup>4</sup>	195,538	118,593	87,863	70,819	722,033	784,150
Unreserved, Reported in:						
Special Revenue Funds <sup>5</sup>	218,945	272,841	245,723	250,225	262,016	255,432
Capital Projects						
Permanent Funds <sup>6</sup>					15,886	11,495
<b>Total All Other Governmental Funds</b>	<b>414,483</b>	<b>391,434</b>	<b>333,586</b>	<b>321,044</b>	<b>999,935</b>	<b>1,051,077</b>
<b>Total Fund Balances, Governmental Funds</b>	<b>\$641,283</b>	<b>\$663,425</b>	<b>\$808,612</b>	<b>\$895,429</b>	<b>\$1,329,057</b>	<b>\$1,237,401</b>

Note: GASB Statement No. 34 was implemented in fiscal year 2002. This standard required the reclassification of certain funds; prior years have not been restated.

<sup>1</sup>In fiscal year 2007 the General Fund reserved fund balance increase is mainly due to the funding of the Millennium Permanent Endowment fund and the Capitol Restoration Project.

<sup>2</sup>In fiscal year 2007 the General Fund unreserved fund balance increase is mainly attributable to increased sales tax and individual income tax revenues. In fiscal year 2006 the increase is mainly attributable to increased personal and corporate income tax revenues. The increases in fiscal years 2004 and 2005 were due to a temporary sales tax increase and a strengthening economy.

<sup>3</sup>In fiscal years 2002 and 2003 Idaho's economy suffered during the national recession, as reflected in the decreased General Fund balances.

<sup>4</sup>In fiscal year 2007 the other governmental funds reserved fund balance increase is mainly due to increased endowment fund investment income and bond issuance by the Idaho State Building Authority. The increases in fiscal year 2006 were largely due to an increase in the fair value of endowment fund investments.

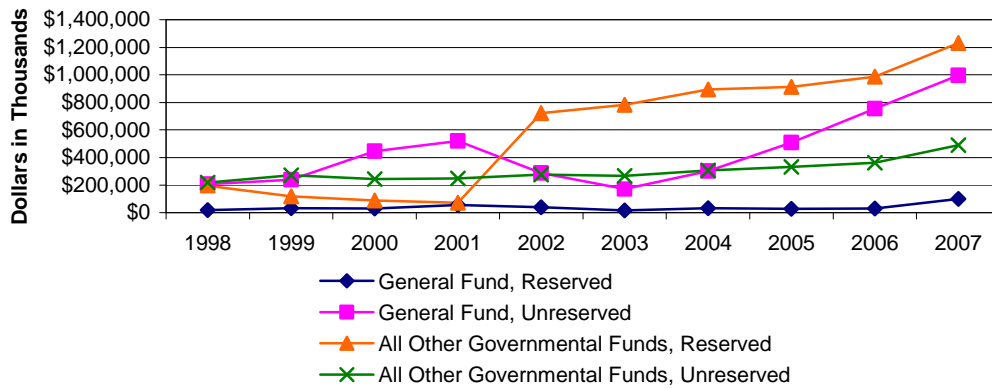
<sup>5</sup>In fiscal year 2007 the increase in the unreserved special revenue funds balance was due to an increase in operating grants and contributions to Health and Welfare and the Idaho Transportation Department.

<sup>6</sup>In fiscal years 2006 and 2007 the increase in the unreserved permanent funds balance was due primarily to expendable endowment fund investment income and receipts from timber sales and land leases. In fiscal year 2002 the Public School and Pooled Endowment funds were reclassified from non-expendable trust funds to permanent funds.



2004 (as restated)	2005 (as restated)	2006 (as restated)	2007
\$33,012	\$28,703	\$30,404	\$98,908
302,106	508,837	755,645	996,544
335,118	537,540	786,049	1,095,452
893,308	911,390	985,836	1,231,429
279,945	278,213	268,059	325,693
28,421	53,992	94,651	163,125
1,201,674	1,243,595	1,348,546	1,720,272
<b>\$1,536,792</b>	<b>\$1,781,135</b>	<b>\$2,134,595</b>	<b>\$2,815,724</b>

**Fund Balances, Governmental Funds  
Fiscal Years 1998 - 2007**



**Schedule 4 - Changes in Fund Balances - Governmental Funds****Fiscal Years 1998-2007***(modified accrual basis of accounting, dollars in thousands)*

	1998	1999	2000	2001	2002 (as restated)	2003 (as restated)
<b>Revenues</b>						
Sales Tax <sup>1</sup>	\$663,853	\$712,314	\$761,628	\$778,162	\$778,028	\$864,509
Individual and Corporate Taxes <sup>2</sup>	1,053,059	1,109,126	1,285,262	1,171,467	889,746	904,204
Other Taxes	377,753	385,481	406,781	412,171	362,546	387,820
Licenses, Permits, and Fees	158,196	168,189	179,089	214,509	212,733	230,599
Sale of Goods and Services	79,140	96,997	107,480	112,987	173,220	181,049
Grants and Contributions <sup>3</sup>	903,019	940,360	1,100,570	1,264,609	1,330,474	1,447,574
Investment Income <sup>4</sup>	97,688	103,199	102,169	96,525	(52,315)	49,681
Tobacco Settlement				22,441	26,602	23,772
Other Income	57,119	52,863	85,503	34,799	46,641	79,033
<b>Total Revenues</b>	<b>3,389,827</b>	<b>3,568,529</b>	<b>4,028,482</b>	<b>4,107,670</b>	<b>3,767,675</b>	<b>4,168,241</b>
<b>Expenditures</b>						
General Government	413,321	378,708	418,639	253,747	127,440	104,109
Public Safety and Correction	174,167	190,625	204,137	233,793	218,142	212,878
Health and Human Services <sup>5</sup>	772,569	835,528	911,642	1,078,943	1,206,910	1,315,668
Education <sup>6</sup>	1,005,489	1,134,474	1,169,920	1,226,922	1,219,332	1,240,835
Economic Development	368,881	404,604	421,421	436,532	326,868	347,280
Natural Resources	108,869	116,564	125,977	135,682	162,199	147,630
Capital Outlay	266,672	324,188	350,656	401,518	353,389	401,279
Intergovernmental Revenue Sharing	220,346	207,332	235,804	259,360	342,501	315,444
Debt Service:						
Principal					4,850	6,915
Interest					11,587	12,511
<b>Total Expenditures</b>	<b>3,330,314</b>	<b>3,592,023</b>	<b>3,838,196</b>	<b>4,026,497</b>	<b>3,973,218</b>	<b>4,104,549</b>
<b>Revenues Over (Under) Expenditures</b>	<b>59,513</b>	<b>(23,494)</b>	<b>190,286</b>	<b>81,173</b>	<b>(205,543)</b>	<b>63,692</b>
<b>Other Financing Sources (Uses)</b>						
Bonds and Notes Issued	59,525	5,041		5,856	16,440	64,145
Premium/(Discount) on Bonds Issued					(144)	(763)
Capital Lease Acquisitions	105	19	130	669	8	
Payment to Refunded Bond Escrow Agent						
Sale of Capital Assets						
Transfers In	1,140,342	1,222,166	404,084	484,088	547,785	525,453
Transfers Out	(1,111,469)	(1,191,819)	(378,217)	(458,235)	(776,385)	(744,183)
<b>Total Other Financing Sources (Uses)</b>	<b>88,503</b>	<b>35,407</b>	<b>25,997</b>	<b>32,378</b>	<b>(212,296)</b>	<b>(155,348)</b>
<b>Net Changes in Fund Balances</b>	<b>\$148,016</b>	<b>\$11,913</b>	<b>\$216,283</b>	<b>\$113,551</b>	<b>(\$417,839)</b>	<b>(\$91,656)</b>

Debt Service as a Percentage of Noncapital Expenditures

&lt;1

&lt;1

Note: GASB Statement No. 34 was implemented in fiscal year 2002. This standard required the reclassification of certain funds; prior years have not been restated.

<sup>1</sup>On October 1, 2006, the state sales tax rate increased from 5 to 6 percent. From May 1, 2003, to July 1, 2005, the legislature imposed a temporary sales tax increase from 5 to 6 percent.

<sup>2</sup>In fiscal years 2006 and 2007 individual and corporate income taxes increased due to increased levels of employment and personal income. In fiscal years 2001 and 2002 individual and corporate income taxes decreased due to a structural reduction in the state tax base and the national recession.

<sup>3</sup>Grants and contributions have steadily increased due to federal grants; mainly benefiting health, transportation, and education.

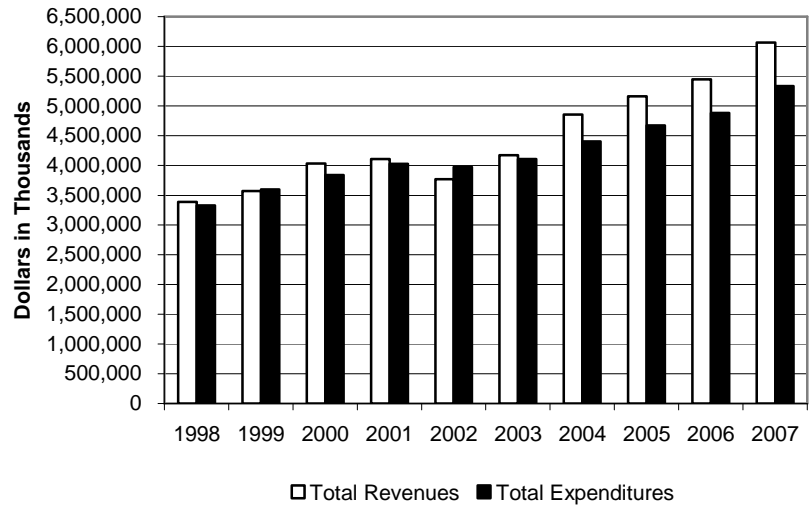
<sup>4</sup>In fiscal years 2006 and 2007 investment income increased largely due to the endowment funds. The loss for fiscal year 2002 was due to the effects of the national recession and the resultant decrease in the fair value of investments, mainly relating to the endowment funds.

<sup>5</sup>Health and Human Services' expenditures have steadily risen due to increasing Medicaid and income assistance payments.

<sup>6</sup>In fiscal year 2007 Education expenses increased due to personnel, operating, and facilities maintenance expenses.

2004 (as restated)	2005 (as restated)	2006	2007
\$1,040,448	\$1,137,138	\$1,060,612	\$1,300,416
997,454	1,176,903	1,436,168	1,598,702
397,950	406,620	406,336	417,763
240,323	244,165	256,900	273,223
252,291	260,539	264,221	276,636
1,719,520	1,757,713	1,806,749	1,884,099
135,718	104,557	144,559	225,717
22,848	23,151	21,253	23,712
47,658	48,047	47,606	65,538
4,854,210	5,158,833	5,444,404	6,065,806
122,876	143,584	147,445	151,358
219,417	233,598	253,504	269,874
1,468,736	1,561,765	1,641,421	1,701,863
1,279,486	1,324,069	1,379,775	1,683,254
307,312	346,256	358,814	368,439
163,769	178,401	188,784	186,179
436,133	461,907	452,393	493,641
385,698	393,195	425,414	441,421
8,061	10,880	10,751	12,403
8,069	17,671	20,736	25,576
4,399,557	4,671,326	4,879,037	5,334,008
454,653	487,507	565,367	731,798
64,795	26	10,790	155,463
(864)		(23)	6,533
	3,757	5,697	(4,765)
6,909	8,037	17,193	7,066
553,181	594,877	640,776	713,275
(779,283)	(849,861)	(886,340)	(928,241)
(155,262)	(243,164)	(211,907)	(50,669)
<b>\$299,391</b>	<b>\$244,343</b>	<b>\$353,460</b>	<b>\$681,129</b>
<1	<1	<1	<1

Revenues and Expenditures, Governmental Funds  
Fiscal Years 1998 - 2007



**Schedule 5 - Revenue Base****Fiscal/Calendar Years 1998-2007** (dollars in thousands)**Taxable Sales by Industry**

	Fiscal Year					
	1998	1999	2000	2001	2002	2003
Commercial Farms	\$5,200	\$5,075	\$6,224	\$5,449	\$8,020	\$7,674
Agricultural/Forestry, Fishing, and Other	46,922	50,756	61,284	58,662	70,264	73,489
Mining	27,931	32,007	32,947	32,138	35,884	39,280
Construction	251,953	260,828	281,400	273,933	327,244	322,652
Manufacturing	829,235	1,060,137	969,768	994,325	1,063,164	1,150,728
Transportation and Public Utilities	152,729	170,342	202,097	224,342	247,881	176,603
Wholesale Trade	803,414	822,386	929,375	874,526	948,927	1,004,481
Retail Trade	8,886,968	9,605,074	10,165,734	9,567,159	11,020,633	11,386,198
Finance, Insurance, and Real Estate	118,542	163,235	191,574	171,804	133,105	123,765
Services	1,495,083	1,546,476	1,664,407	1,615,100	1,873,229	1,858,090
State and Local Government	352,376	378,660	407,500	394,094	1,720,162	523,861
<b>Total Taxable Sales</b>	<b>\$12,970,353</b>	<b>\$14,094,976</b>	<b>\$14,912,310</b>	<b>\$14,211,532</b>	<b>\$17,448,513</b>	<b>\$16,666,821</b>
<b>Direct Sales Tax Rate</b>	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

**Personal Income by Industry<sup>1</sup>**

	Calendar Year					
	1998	1999	2000	2001	2002	2003
Farm Earnings	\$959,461	\$1,046,237	\$866,537	\$1,042,680	\$953,330	\$747,673
Agricultural/Forestry, Fishing, and Other	350,141	359,948	356,736	383,005	365,290	370,170
Mining	147,963	143,555	136,607	115,930	109,675	121,693
Construction/Utilities	1,721,409	1,888,523	1,952,596	2,269,257	2,169,344	2,172,429
Manufacturing	3,056,019	3,427,735	3,989,283	3,453,229	3,389,391	3,450,110
Transportation	686,042	731,131	741,826	773,647	772,835	782,228
Wholesale Trade	863,835	973,896	1,061,767	1,120,456	1,111,561	1,142,258
Retail Trade	1,683,052	1,866,681	1,974,673	2,037,054	2,111,947	2,195,532
Finance, Insurance, and Real Estate	1,170,744	1,214,054	1,368,867	1,383,119	1,416,562	1,527,446
Services	5,710,774	6,118,144	6,840,158	7,495,498	7,950,164	8,203,449
Federal, Civilian	743,916	760,871	817,882	841,421	885,609	932,310
Military	289,191	300,167	309,966	329,684	402,061	461,639
State and Local Government	2,703,474	2,891,282	3,036,475	3,238,626	3,446,783	3,567,797
Other <sup>2</sup>	7,200,905	7,345,916	7,836,409	8,570,391	8,764,012	9,141,258
<b>Total Personal Income</b>	<b>\$27,286,926</b>	<b>\$29,068,140</b>	<b>\$31,289,782</b>	<b>\$33,053,997</b>	<b>\$33,848,564</b>	<b>\$34,815,992</b>
<b>Total Direct Personal Income Tax Rate</b>	8.0%	8.0%	8.0%	7.6%	7.6%	7.6%

**Corporate Income by Category<sup>3</sup>**

	Calendar Year					
	1998	1999	2000	2001	2002	2003
Corporations	(\$403,419)	(\$554,300)	(\$51,141)	(\$1,677,005)	(\$1,889,357)	(\$233,472)
Sub-S Corporations	32,293	31,775	50,385	39,893	28,494	39,253
Partnerships	(46,322)	(42,092)	(52,021)	(241,506)	(159,037)	(22,093)
Fiduciary	31,199	33,550	52,321	(10,005)	(26,256)	(120,714)
<b>Total Corporate Income</b>	<b>(\$386,249)</b>	<b>(\$531,067)</b>	<b>(\$456)</b>	<b>(\$1,888,623)</b>	<b>(\$2,046,156)</b>	<b>(\$337,026)</b>
<b>Direct Corporate Income Tax Rate</b>	8.0%	8.0%	8.0%	7.6%	7.6%	7.6%

**Vehicle Fuel Sales by Category<sup>3</sup>** (in thousands of gallons)

	Fiscal Year					
	1998	1999	2000	2001	2002	2003
Diesel					228,171	230,162
Gasoline					612,947	617,800
Propane					147	135
Natural Gas <sup>4</sup>					12	15
Aviation					3,021	2,778
Jet					30,081	29,401
<b>Total Fuel Sales</b>					<b>874,379</b>	<b>880,291</b>
<b>Total Direct Fuel Tax Rate</b> (per gallon of fuel)					\$0.242	\$0.243

Sources: Taxable sales, corporate income, and fuel sales--Idaho State Tax Commission; Personal income--U.S. Bureau of Economic Analysis and the Idaho Division of Financial Management.

<sup>1</sup>The U.S. Bureau of Economic Analysis switched from SIC to NAICS system in calendar year 2001. Personal income data for calendar years 2006 and 2007 are estimates.

<sup>2</sup>Other personal income includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

<sup>3</sup>Corporate income data is currently not available for calendar years 2006 and 2007; fuel sales data is not available for fiscal years 1998 through 2001.

<sup>4</sup>The natural gas distributor reported no fuel sales for fiscal year 2007.

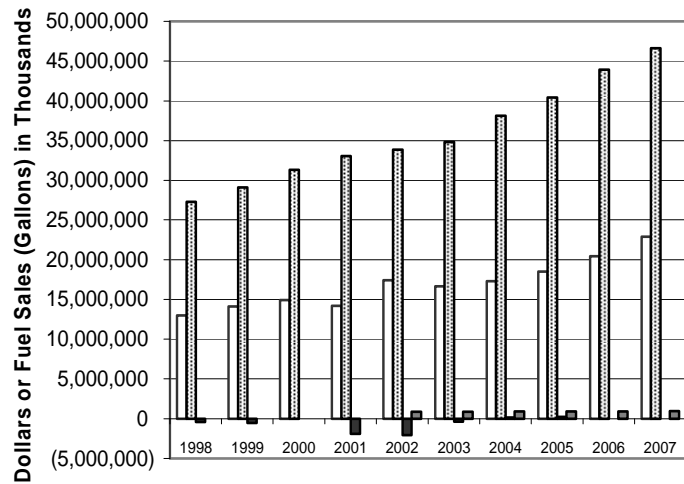
2004	2005	2006	2007
\$7,265	\$8,687	\$10,093	\$11,416
75,997	85,183	99,736	124,479
47,589	53,612	67,655	72,407
315,977	410,645	484,901	572,823
1,012,159	1,026,589	998,714	1,403,805
226,260	253,306	250,375	347,677
1,063,094	1,246,743	1,481,922	1,766,289
11,968,267	12,769,055	14,083,361	15,364,551
116,476	117,091	153,983	149,466
1,855,726	1,884,819	2,105,191	2,330,698
620,550	671,249	690,509	782,729
<b>\$17,309,360</b>	<b>\$18,526,979</b>	<b>\$20,426,440</b>	<b>\$22,926,340</b>
6.0%	6.0%	5.0%	6.0%

2004	2005	2006	2007
\$1,021,137	\$906,997	\$688,590	\$951,000
376,764	392,235	407,793	407,000
140,378	161,461	195,521	222,000
2,398,926	2,756,917	3,167,634	3,408,000
3,628,690	3,777,251	4,174,873	4,434,000
873,292	935,507	1,016,763	1,076,000
1,236,110	1,380,669	1,498,480	1,602,000
2,296,546	2,560,748	2,818,275	2,952,000
1,615,865	1,926,855	2,072,704	2,119,000
9,012,239	9,534,987	10,572,537	11,283,000
1,020,591	1,045,141	1,098,976	1,140,000
512,325	531,293	531,725	536,000
3,784,543	3,967,460	4,183,532	4,204,000
10,205,321	10,536,423	11,489,813	12,267,000
<b>\$38,122,727</b>	<b>\$40,413,944</b>	<b>\$43,917,216</b>	<b>\$46,601,000</b>
7.6%	7.7%	NA	NA

2004	2005	2006	2007
\$62,838	\$54,837	NA	NA
74,857	126,174	NA	NA
(16,627)	(2,182)	NA	NA
23,806	57,112	NA	NA
<b>\$144,874</b>	<b>\$235,941</b>	<b>NA</b>	<b>NA</b>
7.6%	7.6%	7.6%	7.6%

2004	2005	2006	2007
239,784	241,079	258,715	284,009
629,499	625,453	636,565	647,363
138	98	77	62
12	16	13	
2,926	2,512	2,512	2,598
26,921	28,250	31,038	33,591
<b>899,280</b>	<b>897,408</b>	<b>928,920</b>	<b>967,623</b>
\$0.243	\$0.243	\$0.243	\$0.242

Idaho Revenue Base\*  
Fiscal/Calendar Years 1998 - 2007



□ Taxable Sales    ■ Personal Income    ■ Corporate Income    ■ Fuel Sales (in gallons)

\*Corporate Income data is currently not available for calendar years 2006 and 2007; Fuel Sales data is not available for fiscal years 1997-2001.

## Schedule 6 - Revenue Rates

Fiscal/Calendar Years 1998-2007

Personal Income Tax Rates<sup>1</sup> (dollars in thousands)

Calendar Year

	1998	1999	2000 <sup>2</sup>	2001 <sup>2</sup>	2002	2003	2004	2005	2006	2007
Tax Rates for Single and Married Filing Separately on the Portion of Taxable Income in Ranges										
Tax Rate	2.0%	2.0%	1.9%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Income Levels	\$0-1.0	\$0-1.0	\$0-1.0	\$0-1.1	\$0-1.1	\$0-1.1	\$0-1.1	\$0-1.2	\$0-1.2	\$0-1.2
Tax Rate	4.0%	4.0%	3.9%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Income Levels	\$1.0-2.0	\$1.0-2.0	\$1.0-2.0	\$1.1-2.1	\$1.1-2.2	\$1.1-2.2	\$1.1-2.3	\$1.2-2.3	\$1.2-2.4	\$1.2-2.5
Tax Rate	4.5%	4.5%	4.4%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Income Levels	\$2.0-3.0	\$2.0-3.0	\$2.0-3.1	\$2.1-3.2	\$2.2-3.3	\$2.2-3.3	\$2.3-3.4	\$2.3-3.5	\$2.4-3.6	\$2.5-3.7
Tax Rate	5.5%	5.5%	5.4%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Income Levels	\$3.0-4.0	\$3.0-4.0	\$3.1-4.1	\$3.2-4.2	\$3.3-4.3	\$3.3-4.4	\$3.4-4.5	\$3.5-4.6	\$3.6-4.8	\$3.7-4.9
Tax Rate	6.5%	6.5%	6.4%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Income Levels	\$4.0-5.0	\$4.0-5.0	\$4.1-5.1	\$4.2-5.3	\$4.3-5.4	\$4.4-5.5	\$4.5-5.6	\$4.6-5.8	\$4.8-6.0	\$4.9-6.2
Tax Rate	7.5%	7.5%	7.4%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
Income Levels	\$5.0-7.5	\$5.0-7.5	\$5.1-7.7	\$5.3-7.9	\$5.4-8.1	\$5.5-8.3	\$5.6-8.5	\$5.8-8.7	\$6.0-9.0	\$6.2-9.3
Tax Rate	7.8%	7.8%	7.7%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Income Levels	\$7.5-20.0	\$7.5-20.0	\$7.7-20.4	\$7.9-21.1	\$8.1-21.7	\$8.3-22.1	\$8.5-22.6	\$8.7-23.2	\$9.0-24.0	\$9.3-24.7
Tax Rate	8.2%	8.2%	8.1%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Income Levels	\$20.0 +	\$20.0 +	\$20.4 +	\$21.1 +	\$21.7 +	\$22.1 +	\$22.6 +	\$23.2 +	\$24.0 +	\$24.7 +

## Tax Rates for Married Filing Jointly, Head of Household, and Qualifying Widow(er)s on the Portion of Taxable Income in Ranges

Tax Rate	2.0%	2.0%	1.9%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Income Levels	\$0-2.0	\$0-2.0	\$0-2.0	\$0-2.2	\$0-2.2	\$0-2.2	\$0-2.2	\$0-2.3	\$0-2.4	\$0-2.5
Tax Rate	4.0%	4.0%	3.9%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Income Levels	\$2.0-4.0	\$2.0-4.0	\$2.0-4.0	\$2.2-4.2	\$2.2-4.3	\$2.2-4.4	\$2.2-4.5	\$2.3-4.6	\$2.4-4.8	\$2.5-4.9
Tax Rate	4.5%	4.5%	4.4%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Income Levels	\$4.0-6.0	\$4.0-6.0	\$4.0-6.2	\$4.2-6.3	\$4.3-6.5	\$4.4-6.6	\$4.5-6.8	\$4.6-7.0	\$4.8-7.2	\$4.9-7.4
Tax Rate	5.5%	5.5%	5.4%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Income Levels	\$6.0-8.0	\$6.0-8.0	\$6.2-8.2	\$6.3-8.4	\$6.5-8.7	\$6.6-8.8	\$6.8-9.0	\$7.0-9.3	\$7.2-9.6	\$7.4-9.9
Tax Rate	6.5%	6.5%	6.4%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Income Levels	\$8.0-10.0	\$8.0-10.0	\$8.2-10.2	\$8.4-10.5	\$8.7-10.9	\$8.8-11.0	\$9.0-11.2	\$9.3-11.6	\$9.6-12.0	\$9.9-12.4
Tax Rate	7.5%	7.5%	7.4%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
Income Levels	\$10.0-15.0	\$10.0-15.0	\$10.2-15.4	\$10.5-15.8	\$10.9-16.3	\$11.0-16.6	\$11.2-17.0	\$11.6-17.4	\$12.0-18.0	\$12.4-18.6
Tax Rate	7.8%	7.8%	7.7%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Income Levels	\$15.0-40.0	\$15.0-40.0	\$15.4-40.8	\$15.8-42.2	\$16.3-43.5	\$16.6-44.1	\$17.0-45.1	\$17.4-46.4	\$18.0-48.0	\$18.6-49.5
Tax Rate	8.2%	8.2%	8.1%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Income Levels	\$40.0 +	\$40.0 +	\$40.8 +	\$42.2 +	\$43.5 +	\$44.1 +	\$45.1 +	\$46.4 +	\$48.0 +	\$49.5 +

<b>Total Direct Rate</b>	8.0%	8.0%	8.0%	7.6%	7.6%	7.6%	7.6%	7.7%	NA	NA
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## Vehicle Fuel Tax Rates per Gallon

Fiscal Year

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Diesel	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250
Gasoline	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250
Propane	\$0.181	\$0.181	\$0.181	\$0.181	\$0.181	\$0.181	\$0.181	\$0.181	\$0.181	\$0.181
Natural Gas	\$0.197	\$0.197	\$0.197	\$0.197	\$0.197	\$0.197	\$0.197	\$0.197	\$0.197	\$0.197
Aviation Fuel	\$0.055	\$0.055	\$0.055	\$0.055	\$0.055	\$0.055	\$0.055	\$0.055	\$0.055	\$0.055
Jet Fuel	\$0.045	\$0.045	\$0.045	\$0.045	\$0.045	\$0.045	\$0.045	\$0.045	\$0.045	\$0.045
<b>Total Direct Rate</b> (per gallon of fuel)	NA	NA	NA	NA	\$0.242	\$0.243	\$0.243	\$0.243	\$0.243	\$0.242

Source: Idaho State Tax Commission.

Note: The Idaho State Legislature can raise the income and fuel tax rates by legislation, no vote of the populace is required; *Idaho Constitution*, Art. VII, §16; *Idaho Code*, Sections 63-3024 and 63-2402.

<sup>1</sup> Idaho's personal income tax brackets are adjusted each year for inflation.

<sup>2</sup> The Legislature passed structural reductions in the state income tax base effective for calendar years 2000 and 2001.

**Schedule 7 - Revenue Payers by Industry/Category**  
**Historical Comparison and Most Current Fiscal/Calendar Year**  
*(dollars in thousands)*

**Sales Tax**

	As of June 30, 1999				As of June 30, 2006			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Farm Earnings	303	0.5	\$257	0.0	369	0.7	\$488	0.1
Agricultural	819	1.4	2,554	0.4	1,032	1.7	5,477	0.5
Mining	128	0.2	1,452	0.2	140	0.2	3,509	0.3
Construction	3,148	5.5	11,749	1.7	4,199	6.9	24,545	2.3
Manufacturing	4,193	7.4	43,800	6.3	4,087	6.7	50,319	4.8
Transportation & Utilities	861	1.5	7,608	1.1	1,291	2.1	12,771	1.2
Wholesale trade	1,968	3.4	41,796	6.0	2,562	4.2	76,335	7.3
Retail trade	26,871	47.0	481,441	69.3	26,326	43.4	728,029	69.4
Finance, Insurance, and Real Estate	593	1.0	8,103	1.2	720	1.2	7,647	0.7
Services	17,981	31.5	76,950	11.1	19,294	31.8	106,714	10.2
Government	339	0.6	19,047	2.7	647	1.1	34,096	3.2
<b>Total</b>	<b>57,204</b>	<b>100.0</b>	<b>\$694,757</b>	<b>100.0</b>	<b>60,667</b>	<b>100.0</b>	<b>\$1,049,930</b>	<b>100.0</b>

**Personal Income**

	As of December 31, 1997				As of December 31, 2005			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Income Level								
\$50,000 and under	483,685	91.4	\$358,928	48.3	542,628	86.4	\$384,274	31.9
\$50,000 - \$100,000	34,464	6.5	165,225	22.2	61,200	9.8	287,429	23.9
\$100,000 - \$250,000	8,369	1.6	90,764	12.2	17,912	2.9	190,319	15.8
\$250,000 - \$1,000,000	2,306	0.4	73,241	9.9	4,993	0.8	163,469	13.6
\$1,000,000 and higher	290	0.1	55,376	7.4	783	0.1	178,975	14.8
<b>Total</b>	<b>529,114</b>	<b>100.0</b>	<b>\$743,534</b>	<b>100.0</b>	<b>627,516</b>	<b>100.0</b>	<b>\$1,204,466</b>	<b>100.0</b>

**Corporate Income**

	As of Tax Year 1997				As of Tax Year 2005			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Corporations	15,417	29.9	\$84,674	91.2	12,324	18.1	\$103,856	84.0
Sub-S Corporations	14,705	28.5	3,492	3.8	24,979	36.7	10,879	8.8
Partnerships	13,301	25.8	842	0.9	22,074	32.5	2,876	2.3
Fiduciary	8,175	15.8	3,800	4.1	8,601	12.7	6,001	4.9
<b>Total</b>	<b>51,598</b>	<b>100.0</b>	<b>\$92,808</b>	<b>100.0</b>	<b>67,978</b>	<b>100.0</b>	<b>\$123,612</b>	<b>100.0</b>

**Vehicle Fuel Tax**

	As of June 30, 2002				As of June 30, 2007			
	Number of Filers <sup>1</sup>	Percent of Total	Tax Liability	Percent of Total	Number of Filers <sup>1</sup>	Percent of Total	Tax Liability	Percent of Total
Diesel	133	39.9	\$57,013	26.9	106	41.1	\$71,000	30.3
Gasoline	138	41.5	153,105	72.3	104	40.3	161,831	69.0
Propane	26	7.8	50	0.0	25	9.7	38	0.0
Natural Gas <sup>2</sup>	2	0.6	9	0.0	1	0.4	0	0.0
Aviation Fuel	14	4.2	166	0.1	8	3.1	143	0.1
Jet Fuel	20	6.0	1,352	0.7	14	5.4	1,512	0.6
<b>Total</b>	<b>333</b>	<b>100.0</b>	<b>\$211,695</b>	<b>100.0</b>	<b>258</b>	<b>100.0</b>	<b>\$234,524</b>	<b>100.0</b>

Source: Idaho State Tax Commission.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current period for personal and corporate income tax information is calendar year 2005. Data prior to fiscal year 1999 for sales tax, calendar year 1997 for income tax, and fiscal year 2002 for fuel tax is not available.

<sup>1</sup> The total number of filers for fuel tax may contain the same filers counted more than once as some filers distribute more than one type of fuel.

<sup>2</sup> The natural gas distributor reported no fuel sales for fiscal year 2007.

**Schedule 8 - Ratios of Outstanding Debt**

**Fiscal Years 1998-2007**

(dollars in thousands, except per capita amount)

	1998	1999	2000	2001	2002	2003	2004	2005	2006 (as restated)	2007
<b>Governmental Activities</b>										
Revenue Bonds <sup>1</sup>	\$106,510	\$102,130	\$97,635	\$97,300	\$105,802	\$153,624	\$211,031	\$203,067	\$205,203	\$324,657
Capital Leases <sup>2</sup>	4,667	3,920	3,469	4,417	4,121	3,977	5,915	9,428	13,929	12,209
Notes Payable							3,167	1,189	3,776	3,679
Notes Payable to Component Unit <sup>3</sup>										25,947
<b>Total Governmental Activities</b>	<b>\$111,177</b>	<b>\$106,050</b>	<b>\$101,104</b>	<b>\$101,717</b>	<b>\$109,923</b>	<b>\$157,601</b>	<b>\$220,113</b>	<b>\$213,684</b>	<b>\$222,908</b>	<b>\$366,492</b>
<b>Business-Type Activities</b>										
Revenue Bonds <sup>4</sup>	\$160,008	\$188,356	\$195,222	\$193,352	\$262,314	\$262,517	\$318,138	\$329,835	\$319,308	\$402,181
Capital Leases	7,328	6,754	8,759	10,473	11,078	6,464	5,928	1,450	1,709	1,369
Capital Leases to Component Unit <sup>5</sup>								3,657	3,422	3,172
Notes Payable	8,164	8,708	8,152	7,747	12,594	12,392	11,841	17,104	16,284	16,802
<b>Total Business-Type Activities</b>	<b>\$175,500</b>	<b>\$203,818</b>	<b>\$212,133</b>	<b>\$211,572</b>	<b>\$285,986</b>	<b>\$281,373</b>	<b>\$335,907</b>	<b>\$352,046</b>	<b>\$340,723</b>	<b>\$423,524</b>
<b>Total Primary Government</b>	<b>\$286,677</b>	<b>\$309,868</b>	<b>\$313,237</b>	<b>\$313,289</b>	<b>\$395,909</b>	<b>\$438,974</b>	<b>\$556,020</b>	<b>\$565,730</b>	<b>\$563,631</b>	<b>\$790,016</b>
<b>Debt as a Percentage of Personal Income<sup>6</sup></b>										
	1.1%	1.1%	1.1%	1.0%	1.2%	1.3%	1.6%	1.5%	1.4%	1.8%
<b>Amount of Debt Per Capita<sup>6</sup></b>	<b>\$233.5</b>	<b>\$247.5</b>	<b>\$245.5</b>	<b>\$241.2</b>	<b>\$299.7</b>	<b>\$327.1</b>	<b>\$407.0</b>	<b>\$406.7</b>	<b>\$394.7</b>	<b>\$538.9</b>

Note: The *Idaho Constitution*, Article VIII, §1, amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law and which have no power to levy taxes or obligate the General Fund of the State are not debts or liabilities of the State of Idaho. Details regarding the State's debt can be found in the long-term debt note of the financial statements.

<sup>1</sup>In fiscal years 2002 through 2004, and 2007, the Idaho State Building Authority issued revenue bonds for state building projects.

<sup>2</sup>In fiscal year 2006 the increase in capital leases is mainly attributable to new leases for buildings and operating equipment at the Judicial Department and the Department of Fish and Game. The increase in fiscal year 2005 is mainly attributable to new leases for buildings at the Department of Fish and Game.

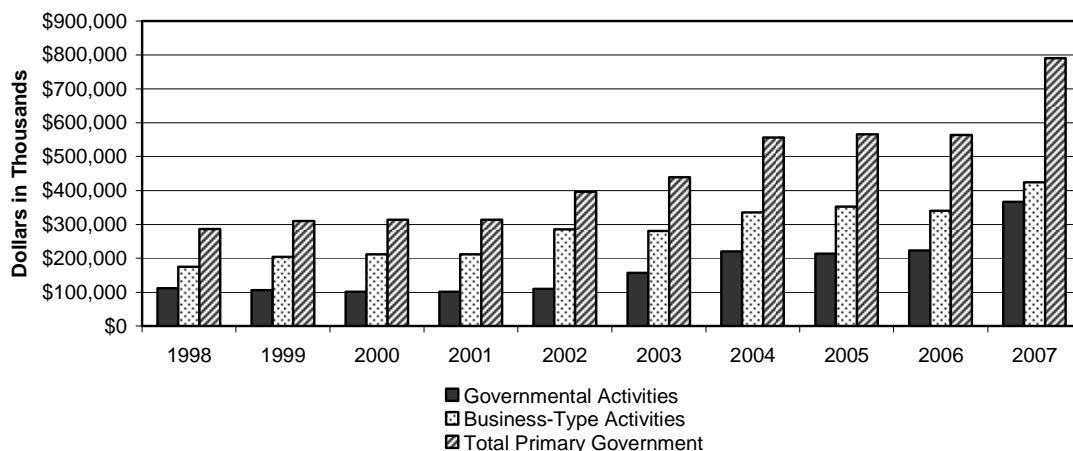
<sup>3</sup>In fiscal year 2007 Idaho Transportation Department issued a note payable to Idaho Housing and Finance Association for road and infrastructure improvements.

<sup>4</sup>In fiscal years 2007, 2004, and 2002 the colleges and universities issued revenue bonds for various projects. In fiscal year 2006 the decrease in revenue bonds is due mainly to the retirement of debt by the colleges and universities.

<sup>5</sup>Prior to fiscal year 2005 capital leases to component units were not reported separately.

<sup>6</sup>These ratios are calculated using personal income and population for the prior calendar year. See Schedule 11 for personal income and population data.

**Outstanding Debt - Primary Government  
Fiscal Years 1998 - 2007**





**Schedule 9 - Other Long-Term Liabilities**

**Fiscal Years 2002-2007**

(dollars in thousands)

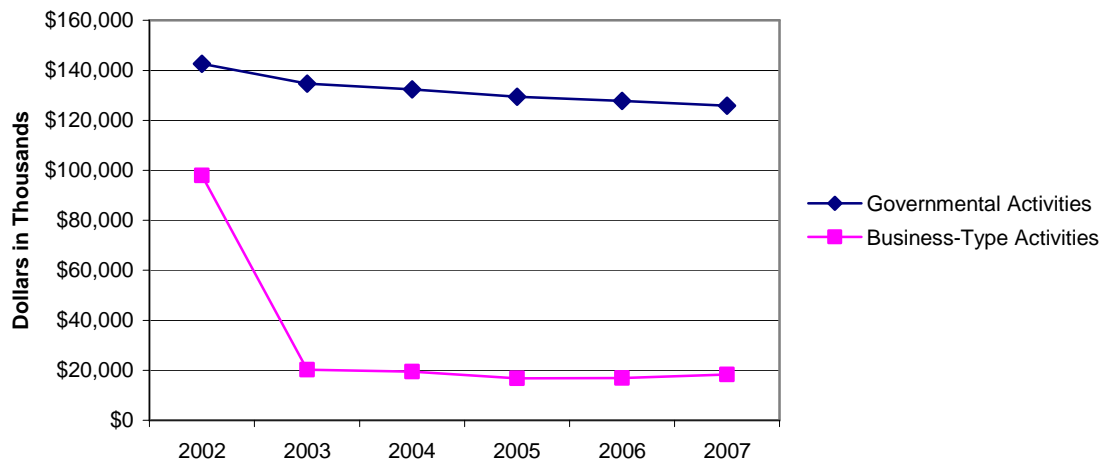
	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)	2007
<b>Governmental Activities</b>						
Compensated Absences	\$52,235	\$51,713	\$52,806	\$54,664	\$56,245	\$56,629
Policy Claim Liabilities	40,645	39,429	35,174	37,263	36,002	33,761
Claims and Judgments	49,845	43,468	44,129	36,990	34,486	32,924
Net Pension Obligation	19	124	375	621	1,071	1,714
Arbitrage Liability <sup>1</sup>						901
<b>Total Governmental Activities</b>	<b>\$142,744</b>	<b>\$134,734</b>	<b>\$132,484</b>	<b>\$129,538</b>	<b>\$127,804</b>	<b>\$125,929</b>
<b>Business-Type Activities</b>						
Compensated Absences	\$21,432	\$20,210	\$19,507	\$16,814	\$16,986	\$18,381
Claims and Judgments <sup>2</sup>	1,726					
Grand Prize Annuities Payable <sup>2</sup>	74,747					
<b>Total Business-Type Activities</b>	<b>\$97,905</b>	<b>\$20,210</b>	<b>\$19,507</b>	<b>\$16,814</b>	<b>\$16,986</b>	<b>\$18,381</b>
<b>Total Primary Government</b>	<b>\$240,649</b>	<b>\$154,944</b>	<b>\$151,991</b>	<b>\$146,352</b>	<b>\$144,790</b>	<b>\$144,310</b>

Note: Details regarding the liabilities listed above can be found in the long-term debt note of the financial statements.

<sup>1</sup>In fiscal year 2007 the Idaho State Building Authority recorded an arbitrage liability.

<sup>2</sup>In fiscal year 2003 the Idaho State Lottery changed its method of reporting liabilities and investments related to grand prize winners receiving annuity payments, eliminating both the long-term liability and related investment.

**Other Long-Term Liabilities, Primary Government  
Fiscal Years 2002 - 2007**



**Schedule 10 - Pledged Revenue Coverage****Fiscal Years 1998-2007**

(dollars in thousands)

	1998	1999	2000	2001	2002	2003
<b>Revenue Bonds - Idaho State Building Authority</b>						
Revenue - Lease and Rental Payments	\$6,279	\$6,303	\$6,410	\$7,613	\$10,863	\$10,370
Less: Operating Expenses	(170)	(179)	(179)	(259)	(217)	(312)
Net Available Revenue	\$6,109	\$6,124	\$6,231	\$7,354	\$10,646	\$10,058
Debt Service: <sup>1</sup>						
Principal	\$4,125	\$4,380	\$4,595	\$6,025	\$6,615	\$15,810
Interest	\$2,228	\$4,732	\$4,524	\$4,274	\$4,536	\$5,521
Coverage	1.0	0.7	0.7	0.7	1.0	0.5
<b>Revenue Bonds - Colleges and Universities<sup>2</sup></b>						
Revenue:						
Student Fees Pledged					\$36,855	\$36,578
Sale of Goods and Services Pledged					29,343	31,288
Other Income Pledged						
Less: Operating Expenses					NA	NA
Net Available Revenue					\$66,198	\$67,866
Debt Service: <sup>3</sup>						
Principal					\$6,195	\$6,130
Interest					\$11,059	\$13,558
Coverage					3.8	3.4
<b>Revenue Bonds - Idaho Water Resources Board<sup>4</sup></b>						
Revenue:						
Sale of Goods and Services				\$934	\$727	\$863
Interest Earned on Bond Proceeds		\$19	\$163	10		
Less: Operating Expenses			(3)	(144)	(235)	(112)
Net Available Revenue		\$19	\$160	\$800	\$492	\$751
Debt Service						
Principal				\$10	\$25	\$40
Interest			\$371	\$371	\$371	\$369
Coverage			0.4	2.1	1.2	1.8

Note: Details regarding the State's outstanding bonds can be found in the long-term debt note of the financial statements. Operating expenses do not include interest or depreciation expense. Coverage equals net available revenue divided by debt service.

<sup>1</sup>In fiscal years 2003 and 2007 the Idaho State Building Authority issued bonds of \$64 million and \$127.1 million respectively, accounting for the increase in debt service.

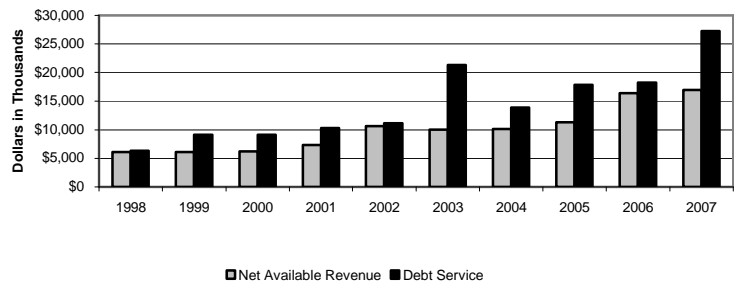
<sup>2</sup>GASB Statements No. 34 and 35 were implemented in fiscal year 2002 requiring the initial reporting of pledged revenue. Pledged revenue increased in fiscal year 2004 due to a change in how the colleges and universities define pledged revenue. The colleges and universities are in the process of consolidating all outstanding bonds into a single bond system. The bond covenant was amended to require that fees and charges be established in amounts sufficient to produce pledged revenues each year equal to 120 percent of the debt service for such fiscal year on all bonds outstanding.

<sup>3</sup>The University of Idaho refunded two series 1994 issues in fiscal year 2003; Idaho State University issued new bonds in the amount of \$35.9 million in fiscal year 2004; Boise State University and the University of Idaho partially refunded nine issues in fiscal year 2005; and Boise State University issued new bonds in the amount of \$96.4 million and partially refunded three issues in fiscal year 2007, accounting for the changes in debt service.

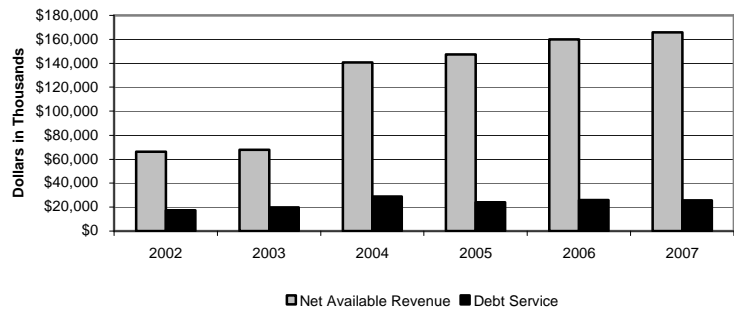
<sup>4</sup>In fiscal year 1999 the Idaho Water Resources Board issued bonds to fund the Dworshak Project, a dam and power-generation station. The bond proceeds were invested until needed to pay construction costs, resulting in interest earned. Upon completion of the Dworshak Project in fiscal year 2001, hydro-electric power has been sold to service the bond payments. In fiscal year 2006 the Board issued Series 2006 Refunding Bonds, defeasing the 1999 Series, and thus accounting for the increase in debt service for fiscal year 2007.

2004	2005	2006	2007
\$10,439	\$11,737	\$16,752	\$17,266
(271)	(384)	(387)	(340)
<u>\$10,168</u>	<u>\$11,353</u>	<u>\$16,365</u>	<u>\$16,926</u>
\$5,795	\$8,500	\$8,755	\$13,780
\$8,061	\$9,356	\$9,496	\$13,469
0.7	0.6	0.9	0.6
\$120,060	\$131,669	\$138,670	\$144,471
63,650	66,414	66,000	71,770
		7,178	1,636
(43,052)	(50,720)	(51,842)	(52,020)
<u>\$140,658</u>	<u>\$147,363</u>	<u>\$160,006</u>	<u>\$165,857</u>
\$14,850	\$8,940	\$10,725	\$11,890
\$14,056	\$15,220	\$15,217	\$13,728
4.9	6.1	6.2	6.5
\$905	\$926	\$876	\$908
(233)	(191)	(101)	(162)
<u>\$672</u>	<u>\$735</u>	<u>\$775</u>	<u>\$746</u>
\$60	\$80	\$100	\$290
\$366	\$363	\$357	\$310
1.6	1.7	1.7	1.2

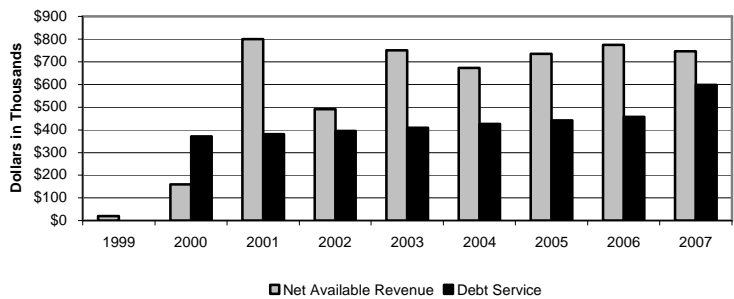
**Idaho State Building Authority - Revenues and Debt Service**  
Fiscal Years 1998 - 2007



**Colleges and Universities - Revenues and Debt Service**  
Fiscal Years 2002 - 2007



**Idaho Water Resources Board - Revenues and Debt Service**  
Fiscal Years 1999 - 2007



**Schedule 11 - Demographic and Economic Indicators**  
**Calendar Years 1998-2007**

	1998	1999	2000	2001	2002	2003
<b>Population</b>						
Idaho ( <i>in thousands</i> )	1,252	1,276	1,299	1,321	1,342	1,366
Change	1.9%	1.9%	1.8%	1.7%	1.6%	1.8%
National ( <i>in thousands</i> )	276,553	279,731	282,802	285,729	288,567	291,434
Change	1.2%	1.1%	1.1%	1.0%	1.0%	1.0%
<b>Total Personal Income<sup>1</sup></b>						
Idaho ( <i>in billions</i> )	\$27	\$29	\$31	\$33	\$34	\$35
Change	7.6%	6.5%	7.6%	5.6%	2.4%	2.9%
National ( <i>in billions</i> )	\$7,423	\$7,802	\$8,430	\$8,724	\$8,882	\$9,164
Change	7.3%	5.1%	8.0%	3.5%	1.8%	3.2%
<b>Per Capita Personal Income<sup>2</sup></b>						
Idaho	\$21,789	\$22,786	\$24,086	\$25,028	\$25,222	\$25,497
Change	5.5%	4.6%	5.7%	3.9%	0.8%	1.1%
National	\$26,841	\$27,893	\$29,808	\$30,533	\$30,779	\$31,443
Change	6.1%	3.9%	6.9%	2.4%	0.8%	2.2%
<b>Median Age - Idaho</b>	32.8	33.0	33.2	33.4	33.5	33.7
<b>Educational Attainment</b>						
8th Grade or Less	7.4%	7.4%	7.4%	4.7%	4.7%	5.2%
Some High School, No Diploma	12.9%	12.9%	12.9%	9.1%	9.1%	10.1%
High School Diploma	30.4%	30.4%	30.4%	31.5%	31.5%	28.5%
Some College, No Degree	24.2%	24.2%	24.2%	25.7%	25.7%	27.3%
Associate, Bachelor's or Graduate Degree	25.1%	25.1%	25.1%	29.0%	29.0%	28.9%
<b>Resident Civilian Labor Force and Employment in Idaho</b>						
Civilian Labor Force	647,873	652,884	661,599	677,855	683,184	689,090
Employed	614,748	620,962	630,934	644,816	646,142	652,693
Unemployed	33,125	31,922	30,665	33,039	37,042	36,397
Unemployment Rate	5.1%	4.9%	4.6%	4.9%	5.4%	5.3%
<b>Nonfarm Wage and Salary Workers Employed in Idaho</b>						
<b>Goods Producing Industries</b>						
Mining	2,817	2,485	2,347	1,973	1,758	1,785
Logging and Wood Products	11,463	11,480	11,567	9,849	9,553	9,047
Construction	32,629	35,025	36,506	37,861	36,468	36,739
Manufacturing-Durable Goods	34,429	34,218	35,840	35,250	32,768	30,903
Manufacturing-Nondurable Goods	25,636	25,515	25,625	25,294	24,484	23,912
<b>Total Goods Producing Industries</b>	<b>106,974</b>	<b>108,723</b>	<b>111,885</b>	<b>110,227</b>	<b>105,031</b>	<b>102,386</b>
<b>Non-Goods Producing Industries</b>						
Trade	93,772	96,725	100,169	98,088	97,342	97,119
Service	217,464	227,557	238,281	249,579	253,632	260,021
State and Local Government	89,467	92,262	94,744	96,861	98,486	99,397
Federal Government	12,800	12,834	13,502	13,280	13,551	13,623
<b>Total Non-Goods Producing Industries</b>	<b>413,503</b>	<b>429,378</b>	<b>446,696</b>	<b>457,808</b>	<b>463,011</b>	<b>470,160</b>
<b>Total Nonfarm Wage and Salary Employment</b>	<b>520,477</b>	<b>538,101</b>	<b>558,581</b>	<b>568,035</b>	<b>568,042</b>	<b>572,546</b>

Sources: Idaho Division of Financial Management, Idaho Department of Commerce and Labor, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics.

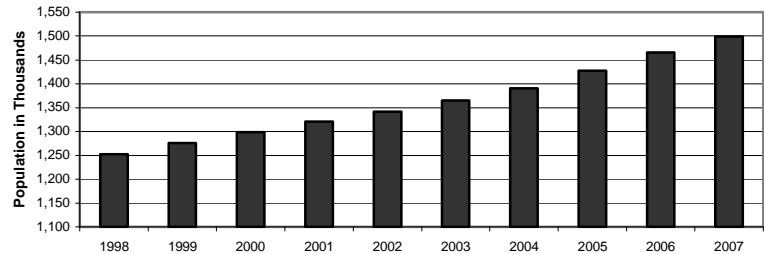
Note: Amounts for calendar years 2006 and 2007 are estimates. Prior year amounts may change due to revisions by the U.S. Bureau of Economic Analysis and Labor Statistics.

<sup>1</sup>Total personal income is comprised of earned income, dividends, interest, rents, and government transfer payments.

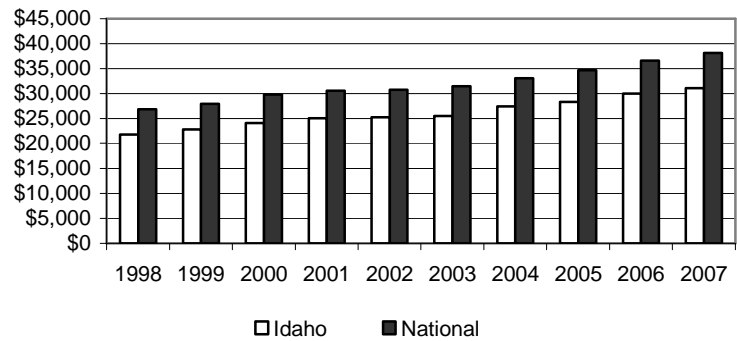
<sup>2</sup>Per capita personal income is calculated by dividing total personal income by population.

2004	2005	2006	2007
1,391	1,428	1,466	1,499
1.9%	2.7%	2.6%	2.3%
294,232	296,941	300,127	302,833
1.0%	0.9%	0.9%	0.9%
\$38	\$40	\$44	\$47
9.5%	6.0%	8.7%	6.1%
\$9,727	\$10,301	\$10,983	\$11,541
6.2%	5.9%	6.6%	5.1%
\$27,407	\$28,301	\$29,963	\$31,084
7.5%	3.3%	5.9%	3.7%
\$33,060	\$34,691	\$36,596	\$38,110
5.1%	4.9%	5.5%	4.1%
33.9	34.1	34.2	34.4
5.2%	4.5%	4.3%	4.5%
10.1%	7.6%	8.4%	8.7%
28.5%	29.6%	28.3%	29.6%
27.3%	26.1%	27.0%	25.8%
28.9%	32.1%	32.0%	31.2%
703,851	727,463	749,244	762,956
670,746	698,466	723,621	745,000
33,105	28,997	25,623	17,956
4.7%	4.0%	3.4%	2.4%
1,932	2,161	2,375	2,507
9,295	9,620	10,036	9,547
39,841	45,145	52,085	51,333
31,255	32,493	34,577	34,848
23,131	22,929	23,237	23,044
<b>105,454</b>	<b>112,348</b>	<b>122,310</b>	<b>121,279</b>
99,129	103,675	107,466	112,802
269,019	280,747	292,726	303,470
101,146	101,866	103,526	103,782
13,311	13,078	12,874	12,779
<b>482,605</b>	<b>499,366</b>	<b>516,592</b>	<b>532,833</b>
<b>588,059</b>	<b>611,714</b>	<b>638,902</b>	<b>654,112</b>

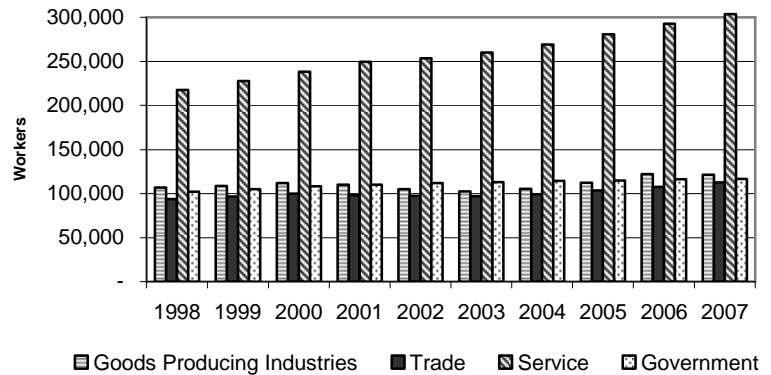
Idaho Population  
Calendar Years 1998 - 2007



Per Capita Personal Income  
Calendar Years 1998 - 2007



Nonfarm Wage and Salary Workers Employed in Idaho  
Calendar Years 1998 - 2007



### Schedule 12 - Principal Employers

#### Current Year and Nine Years Ago

Major Idaho Employers	As of June 30, 1998			As of June 30, 2007		
	Number of Employees	Rank	Percent of Total State Employment	Number of Employees	Rank	Percent of Total State Employment
State of Idaho <sup>1</sup>	16,000-16,500	1	2.6	18,000-18,500	1	2.4
Federal Government	12,500-13,000	2	2.1	12,500-13,000	2	1.7
Micron Technology, Inc.	8,000-8,500	3	1.3	9,000-11,000	3	1.3
Wal-Mart Associates, Inc.				6,500-7,000	4	0.9
Albertsons, Inc.	5,000-5,500	5	0.9	5,000-5,500	5	0.7
St Luke's Regional Medical Center	2,500-3,000	12	0.4	4,500-5,000	6	0.6
Meridian School District	2,500-3,000	10	0.4	4,000-4,500	7	0.6
Independent School District of Boise City	3,500-4,000	8	0.6	3,500-4,000	8	0.5
Battelle Energy Alliance LLC				3,500-4,000	9	0.5
Brigham Young University-Idaho				3,000-3,500	10	0.4
Hewlett-Packard Co.	3,500-4,000	7	0.6	3,000-3,500	11	0.4
Lockheed Idaho	5,500-6,000	4	0.9			
J.R. Simplot Co.	4,000-4,500	6	0.7	3,000-3,500	12	0.4
Potlatch Corporation	3,000-3,500	9	0.5			
Micron Electronics, Inc.	2,500-3,000	11	0.4			
<b>Total</b>	<b>71,500</b>		<b>11.4</b>	<b>79,250</b>		<b>10.4</b>

Source: Idaho Department of Commerce and Labor, except state employees, which are from the Office of the Idaho State Controller.

Note: All figures are based on a calendar year average. Total number of employees is based on the sum of the mid-points in the ranges given. Lockheed Idaho operated the Idaho National Laboratory (formerly Idaho National Engineering and Environmental Laboratory) for the Department of Energy until October 1, 1999, when Battelle Energy Alliance LLC (formerly known as Bechtel BWTX Idaho) took over as the contractor.

<sup>1</sup> Number of state employees includes only full-time personnel.

### Schedule 13 - Education Enrollment

#### Public School Enrollment Grades K-12

##### Academic Years 1997/98-2006/07

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Elementary	130,080	131,018	131,348	131,835	132,406	133,501	135,216	137,579	141,898	146,224
Secondary	114,323	113,605	113,878	113,174	114,009	115,014	116,821	118,425	120,009	121,309
<b>Total All Grades</b>	<b>244,403</b>	<b>244,623</b>	<b>245,226</b>	<b>245,009</b>	<b>246,415</b>	<b>248,515</b>	<b>252,037</b>	<b>256,004</b>	<b>261,907</b>	<b>267,533</b>

Source: Idaho Department of Education

#### Public Higher Education Enrollment

##### Student Headcount (Calendar Years 1998-2007)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Boise State University	15,744	16,209	16,482	17,176	17,688	18,431	18,418	18,650	18,876	19,414
Idaho State University	12,232	12,650	13,037	13,663	13,352	13,625	13,803	13,977	12,679	12,914
University of Idaho	11,437	11,305	11,635	12,067	12,423	12,894	12,824	12,476	11,739	11,636
Lewis-Clark State College	2,972	2,815	2,696	2,952	2,967	3,228	3,145	3,222	3,201	3,319
Eastern Idaho Technical College	601	653	595	598	702	860	788	763	733	758
<b>Total Colleges and Universities</b>	<b>42,986</b>	<b>43,632</b>	<b>44,445</b>	<b>46,456</b>	<b>47,132</b>	<b>49,038</b>	<b>48,978</b>	<b>49,088</b>	<b>47,228</b>	<b>48,041</b>

Source: Idaho State Board of Education

Note: Total headcount includes academic full-time, academic part-time, and vocational students.

**Schedule 14 - State Employees by Function**  
**Fiscal Years 1998-2007**
**Full-Time Employees**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>General Government</b>										
Tax Commission	355	395	408	400	389	370	391	383	387	389
Department of Administration	153	159	153	158	167	162	153	157	153	164
All Other	950	968	1,000	1,050	1,075	1,054	1,025	1,069	1,069	1,093
<b>Public Safety and Correction</b>										
Department of Correction	1,144	1,273	1,291	1,302	1,381	1,345	1,365	1,407	1,454	1,516
Idaho State Police	427	429	440	451	469	451	454	455	462	467
Department of Juvenile Corrections	212	252	265	267	320	320	327	328	333	342
All Other	327	336	350	351	348	344	321	333	333	339
<b>Health and Human Services</b>										
Department of Health and Welfare <sup>1</sup>	3,200	3,260	3,289	2,806	2,814	2,658	2,657	2,687	2,764	2,885
<b>Education</b>										
Colleges and Universities	5,044	5,216	5,368	5,658	5,973	5,857	5,723	5,776	5,878	6,004
All Other	494	499	508	511	524	499	517	538	540	480
<b>Economic Development</b>										
Idaho Transportation Department	1,670	1,702	1,763	1,760	1,774	1,773	1,786	1,774	1,745	1,717
Department of Commerce and Labor <sup>2</sup>	474	494	500	504	514	518	592	580	553	496
Department of Agriculture	323	348	340	320	309	296	305	281	302	307
All Other	485	502	504	723	774	785	712	819	840	840
<b>Natural Resources</b>										
Department of Fish and Game	486	477	469	468	481	494	504	497	500	352
Department of Environmental Quality <sup>1</sup>				331	351	350	353	352	345	506
Department of Lands	211	217	218	214	206	218	221	231	225	234
Department of Parks and Recreation	125	131	133	139	136	141	137	147	146	141
All Other	188	191	183	192	191	186	160	182	182	181
<b>State Total</b>	<b>16,268</b>	<b>16,849</b>	<b>17,182</b>	<b>17,605</b>	<b>18,196</b>	<b>17,821</b>	<b>17,703</b>	<b>17,996</b>	<b>18,211</b>	<b>18,453</b>

**Part-Time and Temporary Employees<sup>3</sup>**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government	284	330	354	359	357	364	346	356	363	361
Public Safety and Correction	157	194	203	207	183	188	187	186	207	195
Health and Human Services <sup>1</sup>	805	860	979	660	710	614	671	589	654	591
Education	2,676	2,411	2,909	2,815	2,724	2,960	2,766	2,779	2,638	2,740
Economic Development <sup>2</sup>	684	672	739	924	947	886	970	984	936	900
Natural Resources <sup>1</sup>	396	408	464	517	549	529	548	591	590	608
<b>State Total</b>	<b>5,002</b>	<b>4,875</b>	<b>5,648</b>	<b>5,482</b>	<b>5,470</b>	<b>5,541</b>	<b>5,488</b>	<b>5,485</b>	<b>5,388</b>	<b>5,395</b>

Source: Office of the Idaho State Controller.

<sup>1</sup>In fiscal year 2001 legislative action created the Department of Environmental Quality; it was previously part of the Department of Health and Welfare.<sup>2</sup>In fiscal year 2004 legislative action combined the Department of Commerce with the Department of Labor.<sup>3</sup>Part-time and temporary employees are those working less than full-time, including board and commission members.

**Schedule 15 - Operating Indicators by Function**  
**Calendar/Fiscal Years 1998-2007**

	1998	1999	2000	2001	2002	2003
<b>General Government</b>						
<b>Tax Commission</b>						
Number of Returns Filed (in thousands)	1,785	1,821	1,900	1,909	1,886	1,981
Number of Returns Filed Electronically	NA	68,522	98,085	130,855	156,400	212,486
<b>Department of Administration</b>						
Construction Projects Administered	94	85	291	276	250	200
Employees Covered by Benefit Plans	16,024	16,639	18,589	18,841	19,115	19,250
<b>Public Safety and Correction</b>						
<b>Department of Correction<sup>1</sup></b>						
Incarcerated Offenders	4,004	4,454	5,017	5,444	5,802	5,825
Supervised Offenders	7,260	7,292	7,356	7,945	8,473	9,346
<b>Idaho State Police</b>						
Emergency Call Response Rate <sup>2</sup>	86%	89%	71%	79%	86%	87%
Drug Related Arrests <sup>3</sup>	554	520	886	845	733	821
DUI Arrests <sup>3</sup>	1,984	1,712	1,835	1,764	1,640	1,723
All Other Arrests <sup>3</sup>	935	712	1,055	1,015	896	960
<b>Department of Juvenile Corrections</b>						
Number of Juveniles in the System	1,346	795	843	848	804	726
Rate of Recombitment to DJC Custody <sup>4</sup>	NA	NA	NA	10.0%	6.0%	8.2%
<b>Health and Human Services</b>						
<b>Department of Health and Welfare<sup>1</sup></b>						
Medicaid Enrollees	80,990	85,750	95,827	122,788	141,954	152,679
Percent of Population	6.7%	7.0%	7.7%	9.5%	10.7%	11.4%
Food Stamp Recipients	64,117	58,471	58,246	59,601	71,478	84,066
Percent of Population	5.3%	4.8%	4.7%	4.6%	5.4%	6.3%
<b>Education</b>						
<b>Colleges and Universities<sup>1</sup></b>						
Enrollment	42,986	43,632	44,445	46,456	47,132	49,038
Number of Certificates and Degrees Awarded <sup>5</sup>	6,835	6,980	6,875	7,138	7,085	7,935
<b>Economic Development</b>						
<b>Idaho Transportation Department</b>						
Percent of Pavement Which is Deficient <sup>1</sup>	21%	20%	18%	18%	15%	16%
Vehicles Weighed (in thousands)	1,640	1,730	2,150	2,460	2,490	2,340
<b>Department of Commerce and Labor</b>						
Individuals Registered for Employment (in thousands)	173	159	160	166	174	192
Job Openings Received	79,025	84,247	86,837	79,443	69,677	56,802
<b>Department of Agriculture</b>						
Conduct Disease Tests on Animals (in thousands)	285	322	322	331	277	381
Inspections of Dairy and Egg Farms	18,589	3,127	4,285	4,279	4,391	4,464
<b>Natural Resources</b>						
<b>Department of Fish and Game</b>						
Citations and Warnings Issued	5,953	6,026	6,087	5,071	5,094	5,359
Hatchery Fish Raised (in thousands) <sup>3</sup>	24,556	33,357	40,698	32,735	32,348	27,859
Hunting and Fishing Licenses Sold (in thousands) <sup>3</sup>	532	543	571	552	542	532
<b>Department of Environmental Quality<sup>6</sup></b>						
Air Quality Sites Monitored			55	64	67	70
Water Sites Monitored			267	510	500	436
<b>Department of Lands<sup>1</sup></b>						
Forest Products Sold (in million board feet)	199	180	193	192	200	170
Fires Responded to on IDL Land	356	406	310	410	319	362
<b>Department of Parks and Recreation</b>						
Park Visitation (in thousands) <sup>1,7</sup>	2,354	2,284	2,637	2,415	2,582	2,489
Recreational Registrations (in thousands) <sup>7</sup>	154	169	184	192	188	216

Sources: Idaho Division of Financial Management; Idaho State Police; Idaho State Tax Commission; and the Idaho Departments of Administration, Health and Welfare, Correction, Fish and Game, Environmental Quality, Lands, and Parks and Recreation.

Note: Operating indicators for fiscal years 2006 and all 2007 data are estimates, except where noted.

<sup>1</sup>Operating indicators for 2006 are actual amounts.

<sup>2</sup>Emergency call response rate is based on officer arriving safely on a motorist assist call within 20 minutes in fiscal years 1998 - 2003 and 30 minutes in fiscal years 2004 - 2007.

<sup>3</sup>Operating indicators are reported on a calendar year basis.

<sup>4</sup>In fiscal year 2001 Department of Juvenile Corrections instituted new performance measures.

<sup>5</sup>Number of certificates and degrees awarded includes Eastern Idaho Technical College beginning in fiscal year 2003.

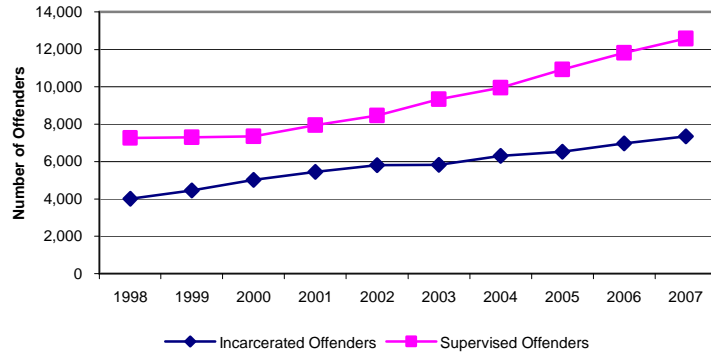
<sup>6</sup>In fiscal year 2001 legislative action created the Department of Environmental Quality; it was previously part of the Department of Health and Welfare.

<sup>7</sup>Park visitation is counted in visitor days. Recreational registrations include boats, snowmobiles, all-terrain vehicles, and Park N' Ski permits.

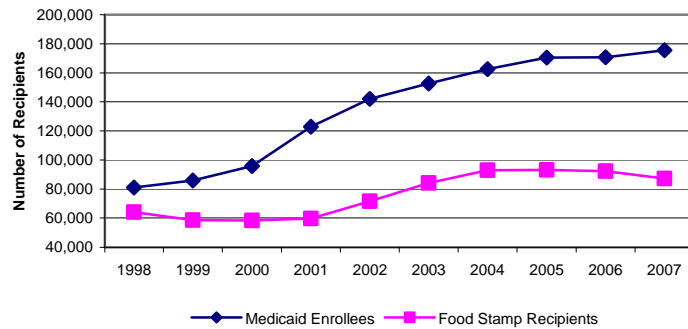


2004	2005	2006	2007
2,046	2,117	2,204	2,180
258,295	310,089	344,664	385,581
143	186	424	538
18,076	18,495	18,829	19,045
6,312	6,526	6,976	7,357
9,955	10,926	11,825	12,581
81%	85%	85%	85%
967	779	598	989
1,708	1,461	817	1,744
1,098	849	724	811
676	709	725	710
11.4%	15.2%	11.0%	11.6%
162,585	170,512	170,585	175,645
11.9%	12.2%	11.9%	12.0%
92,963	94,956	91,032	87,104
6.8%	6.8%	6.4%	5.9%
48,978	49,088	47,228	48,041
8,193	8,648	8,361	8,974
19%	19%	20%	18%
2,630	2,760	3,090	3,000
191	206	184	175
68,533	83,951	101,502	96,239
423	254	119	208
4,251	5,683	6,022	4,374
5,744	5,161	5,441	6,130
38,099	39,837	38,843	34,259
527	532	533	544
64	37	42	35
442	673	658	506
254	188	206	232
292	228	445	NA
2,358	2,648	2,738	NA
233	237	256	260

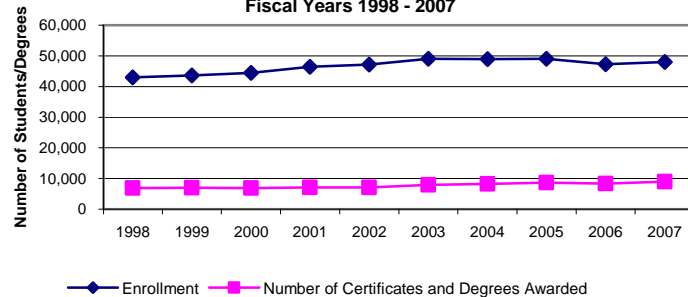
Department of Correction - Adult Offenders  
Fiscal Years 1998 - 2007



Department of Health and Welfare  
Medicaid Enrollees and Food Stamp Recipients  
Fiscal Years 1998 - 2007



Colleges and Universities - Enrollment and Degrees  
Awarded  
Fiscal Years 1998 - 2007



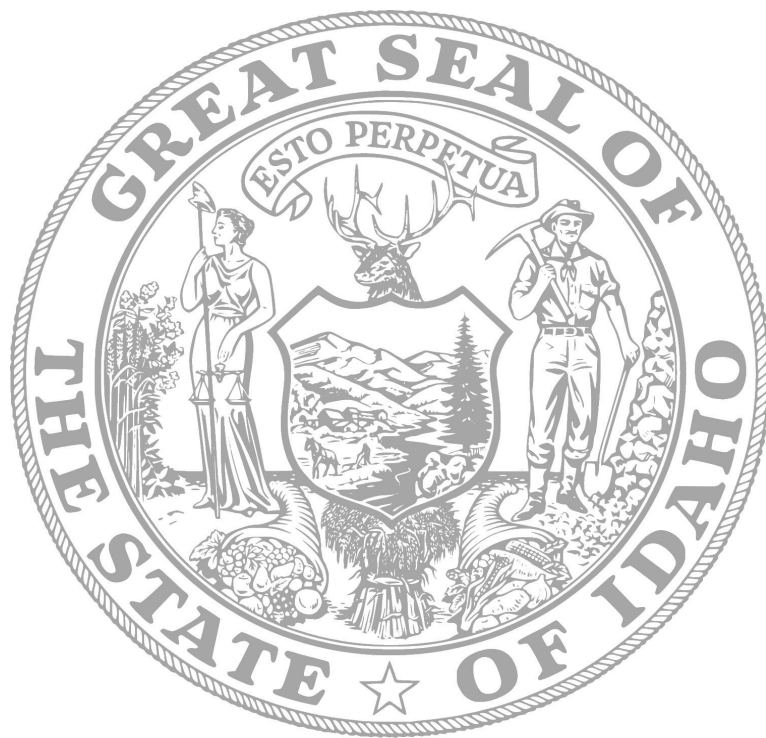
**Schedule 16 - Capital Asset Statistics by Function**  
**Fiscal Years 1998-2007**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>General Government</b>										
<b>Department of Administration</b>										
Buildings (square footage in thousands)	590	590	674	688	688	688	688	759	768	768
<b>Public Safety and Correction</b>										
<b>Department of Correction</b>										
Buildings	75	75	78	78	80	81	82	84	84	87
Vehicles	134	175	204	257	285	301	330	334	339	353
<b>Idaho State Police</b>										
Vehicles	106	159	199	280	360	403	454	425	422	441
Machinery and Equipment	354	426	530	626	699	720	807	812	783	846
<b>Department of Juvenile Corrections</b>										
Buildings (square footage in thousands)	197	199	199	199	252	252	252	252	252	252
Vehicles	9	21	29	32	39	41	46	53	53	52
<b>Health and Human Services</b>										
<b>Department of Health and Welfare</b>										
Buildings (square footage in thousands)	907	893	893	951	951	928	928	928	928	914
Vehicles	NA	601	618	589	588	582	518	490	517	539
<b>Education</b>										
<b>Colleges and Universities</b>										
Buildings (square footage in thousands)	10,230	10,368	10,496	10,868	11,396	11,358	11,743	11,919	12,265	12,539
<b>Economic Development</b>										
<b>Idaho Transportation Department</b>										
Highway Lane Miles <sup>1</sup>	11,806	11,760	11,756	11,779	11,831	11,819	11,852	11,874	11,874	11,877
Vehicles	109	98	98	95	95	109	112	97	96	96
Heavy Equipment	519	522	522	530	530	551	545	552	585	585
<b>Department of Agriculture</b>										
Scientific and Laboratory Equipment	118	121	122	125	136	142	145	147	156	162
Vehicles	43	67	90	108	134	140	158	166	191	209
<b>Natural Resources</b>										
<b>Department of Fish and Game</b>										
Hatcheries	19	19	19	19	19	19	19	19	19	19
Vehicles	223	248	304	381	467	610	722	766	692	646
Boats	215	226	241	256	274	288	302	302	296	289
Wildlife Management Areas	33	35	35	35	35	35	35	35	35	35
<b>Department of Environmental Quality</b>										
Air Monitoring Instruments	123	148	150	172	192	199	125	126	131	119
Water Sampling/Quality Equipment	197	203	213	224	271	276	82	88	94	87
<b>Department of Lands</b>										
Acres of Land (in thousands) <sup>1</sup>	2,346	2,348	2,310	2,400	2,461	2,464	2,462	2,460	2,460	2,460
Vehicles	195	214	223	251	297	332	361	341	346	353
<b>Department of Parks and Recreation</b>										
State Parks	29	32	32	33	33	34	34	34	34	35
Acres of State Park Land (in thousands)	51	56	56	56	56	58	58	58	58	59
Buildings	217	225	237	253	258	261	274	281	287	316
Vehicles	127	148	169	192	208	223	232	240	257	288

Sources: Office of the Idaho State Controller; Idaho Departments of Correction, Health and Welfare, Transportation, Fish and Game, Lands, and Parks and Recreation; and Idaho colleges and universities.

Note: Idaho State Tax Commission, and the Department of Commerce and Labor are not capital asset intensive.

<sup>1</sup>Highway lane miles and acres of land for fiscal year 2007 are based on estimates.



**Schedule 17 - Assets, Liabilities, and Fund Balances****General Fund Accounts****June 30, 2007***(dollars in thousands)*

	State General Account	Permanent Building	Budget Stabilization	Millennium	Income Earnings
<b>ASSETS</b>					
Cash and Cash Equivalents	\$2				
Pooled Cash and Investments	275,063	\$165,523	\$138,154	\$62	\$146,329
Investments		8,479		92,453	788
Securities Lending Collateral	1,183,732				
Accounts Receivable, Net	891			15,801	
Taxes Receivable, Net	241,094	1,621	2,390		417
Interfund Receivables	1	5,557			
Due from Other Entities					
Inventories and Prepaid Items	2,265	577			83
Other Assets	2	62			5
Restricted Assets:					
Cash and Cash Equivalents		28,775			
<b>Total Assets</b>	<b>\$1,703,050</b>	<b>\$210,594</b>	<b>\$140,544</b>	<b>\$108,316</b>	<b>\$147,622</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$14,911	\$7,763	\$264		\$145
Payroll and Related Liabilities	9,046	71			3
Interfund Payables	805	1			1
Due to Other Entities					
Deferred Revenue	49,660	13,434	18	\$15,801	7
Amounts Held in Trust for Others	335				
Obligations Under Securities Lending	1,183,732				
Other Accrued Liabilities	489	4,721			
<b>Total Liabilities</b>	<b>1,258,978</b>	<b>25,990</b>	<b>282</b>	<b>15,801</b>	<b>156</b>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	8,529	275	6,090		19,525
Inventories and Prepaid Items	2,265	577			83
Noncurrent Receivables					
Permanent Trusts				28,094	
Other Purposes		28,770			
Unreserved, Reported in:					
General Fund	433,278	154,982	134,172	64,421	127,858
<b>Total Fund Balances</b>	<b>444,072</b>	<b>184,604</b>	<b>140,262</b>	<b>92,515</b>	<b>147,466</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$1,703,050</b>	<b>\$210,594</b>	<b>\$140,544</b>	<b>\$108,316</b>	<b>\$147,622</b>



**Schedule 18 - Revenues, Expenditures, and Changes in Fund Balances****General Fund Accounts****For the Fiscal Year Ended June 30, 2007***(dollars in thousands)*

	State General Account	Permanent Building	Budget Stabilization	Millennium	Income Earnings
<b>REVENUES</b>					
Sales Tax	\$1,101,430	\$5,000			
Individual and Corporate Taxes	1,470,342	6,119			\$185
Other Taxes	16,155	39,062			5,032
Licenses, Permits, and Fees	9,997				1,208
Sale of Goods and Services	373	54,873			1,115
Grants and Contributions	1	137			45
Investment Income	21,424	9,392	\$1,353	\$2,622	4,558
Tobacco Settlement				23,712	
Other Income	3,521	70			46
<b>Total Revenues</b>	<b>2,623,243</b>	<b>114,653</b>	<b>1,353</b>	<b>26,334</b>	<b>12,189</b>
<b>EXPENDITURES</b>					
Current:					
General Government	78,498	10,948	3,795	108	220
Public Safety and Correction	215,679		239	364	1,716
Health and Human Services			331	795	1,647
Education	117,811	313	2,115		1,326,863
Economic Development	18,529		4,126		324
Natural Resources	23,850		69		
Capital Outlay	2,364	89,121	14,717		833
Intergovernmental Revenue Sharing	22,781		840		
Debt Service:					
Principal Retirement	126				
Interest and Other Charges	4,550	159			
<b>Total Expenditures</b>	<b>484,188</b>	<b>100,541</b>	<b>26,232</b>	<b>1,267</b>	<b>1,331,603</b>
<b>Revenues Over (Under) Expenditures</b>	<b>2,139,055</b>	<b>14,112</b>	<b>(24,879)</b>	<b>25,067</b>	<b>(1,319,414)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Capital Assets	350				
Transfers In	249,734	152,201	59,809	12,522	1,501,499
Transfers Out	(2,402,853)	(12,435)	(41,732)	(12,522)	(71,467)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,152,769)</b>	<b>139,766</b>	<b>18,077</b>	<b>0</b>	<b>1,430,032</b>
<b>Net Change in Fund Balances</b>	<b>(13,714)</b>	<b>153,878</b>	<b>(6,802)</b>	<b>25,067</b>	<b>110,618</b>
<b>Fund Balances - Beginning of Year</b>	<b>457,786</b>	<b>30,726</b>	<b>147,064</b>	<b>67,448</b>	<b>36,848</b>
<b>Fund Balances - End of Year</b>	<b>\$444,072</b>	<b>\$184,604</b>	<b>\$140,262</b>	<b>\$92,515</b>	<b>\$147,466</b>

Income		Catastrophic		Warrant		General	Total
Sales Tax	Tax Refunds	Health Care	Legislative	Deficiency	Miscellaneous	Account Transfer Eliminations	
\$180,525	\$5,038				\$3,623		\$1,295,616
	113,659				8,397		1,598,702
	1,691						61,940
		\$122		\$114	5,307		16,748
				26	5,288		61,675
					3,301		3,484
		570			1,526		41,445
							23,712
		3,239		6,163	18,058		31,097
180,525	120,388	3,931		6,303	45,500		3,134,419
			\$5,825	71	8,009		107,474
					439		218,437
		24,649					27,422
					19,013		1,466,115
				519	1,531		25,029
				9,253	1,125		34,297
			13	111	491		107,650
179,949	195				3,889		207,654
			5				131
							4,709
179,949	195	24,649	5,843	9,954	34,497		2,198,918
576	120,193	(20,718)	(5,843)	(3,651)	11,003		935,501
					2		352
		20,767	5,560	4,570	62,596	(\$1,903,344)	165,914
	(118,270)				(36,429)	1,903,344	(792,364)
	(118,270)	20,767	5,560	4,570	26,169	0	(626,098)
576	1,923	49	(283)	919	37,172	0	309,403
14,777	15,679	187	2,617	3,595	9,322		786,049
\$15,353	\$17,602	\$236	\$2,334	\$4,514	\$46,494	\$0	\$1,095,452

**Schedule 19 - Miscellaneous Statistics**

		<b>TWENTY LARGEST COMMUNITIES IN IDAHO</b>	
State Capital	Boise	Boise	193,161
Admitted to the Union	July 3, 1890	Nampa	71,713
Nickname	The Gem State	Pocatello	53,372
Motto	Esto Perpetua (Let It Be Perpetual)	Idaho Falls	52,338
Population	1,499,200	Meridian	52,240
Highest Elevation Point	Mt. Borah	Coeur d'Alene	40,059
	12,662 Feet Above Sea Level	Twin Falls	38,630
Lowest Elevation Point	Snake River, Lewiston	Caldwell	34,433
	770 Feet Above Sea Level	Lewiston	31,081
Number of Lakes	More Than 2,000	Rexburg	26,265
State Bird	Mountain Bluebird	Post Falls	23,162
State Fish	Cutthroat Trout	Moscow	21,862
State Flower	Syringa	Eagle	17,338
State Gem Stone	Idaho Star Garnet	Hayden	11,906
State Horse	Appaloosa	Mountain Home	11,565
State Insect	Monarch Butterfly	Garden City	11,424
State Song	"Here We Have Idaho"	Ammon	10,925
State Tree	Western White Pine	Blackfoot	10,828
		Chubbuck	10,707
		Kuna	10,153

Sources: *Idaho Blue Book*, 2006-2007

*Idaho Economic Forecast, July 2007* (Population)

Source: *Idaho Fiscal Facts 2006*

<b>LAND AREA AND USE (in square miles)</b>	
Total Area	83,557
Land Area	82,677
Water Area	880
Federal Land	52,724
Total Non-Federal Land	30,833
Total Rural Land	78,768
Agricultural Land	12,170
Range Land	34,353
Forest Land	32,245

Land Area and Use amounts were converted from square acres to square miles at 640 acres to the mile.

Sources: *Idaho Blue Book*, 2006-2007

*Idaho Fiscal Facts 2006*

<b>HEALTH AND EDUCATION</b>	
Number of:	
Licensed Hospitals	48
Optometrists	238
Chiropractic Physicians	453
Physicians	2,536
Dentists	854
Public Schools	
Elementary	354
Secondary	295
Non-Public Schools	
Elementary	57
Secondary	29
Colleges and Universities	11
Public Libraries	143

Source: *Idaho Blue Book*, 2006-2007



# FARRAGUT STATE PARK

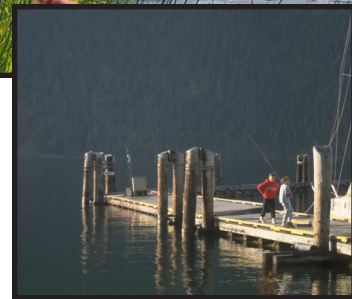


Photo Sources: AnnieKuster.com and the Idaho Department of Parks and Recreation

Located at the edge of Lake Pend Oreille's deep waters, Farragut State Park is truly a destination gem. There is something for everyone at this outstanding park: scenic mountains, abundant wildlife, pristine forests, and the crystal clear waters of Idaho's largest lake.

Lake Pend Oreille's incredible 1,152-foot depth served as an inland sea for whale-boat training during World War II. In 1942 this park was the second-largest naval training station in the world. Over a period of 30 months 293,381 sailors received training at Farragut. The Farragut Naval Training Center Museum is open to visitors.

At 4,000 acres, Farragut is one of Idaho's largest state parks and sits at the foot of the Coeur d'Alene Mountains in the Bitterroot Range. Adjacent to the town of Bayview, the Park provides many opportunities for adventure including an 18-hole disc golf course, campsites and cabins, a shooting range, ski trails, an amphitheater, and trophy fishing in the lake's rough waters. Numerous paths wind through Farragut, offering a favorable spot for mountain bikers, hikers, and equestrians to enjoy the outdoors.



Data Sources:

<http://www.localusa.com/idaho/stateparks/farragut.php>

<http://parksandrecreation.idaho.gov/parks/farragut.aspx>

